ANNUAL REPORT

OF THE

Indian Merchants' Chamber

FOR THE YEAR

1942

Presented to the Annual General Meeting of the Chamber held on 27th January 1943

00133700

Published by

J. K. MEHTA, M.A.

SECRETARY, INDIAN MERCHANTS' CHAMBER,
LALJI NARANJI MEMORIAL
INDIAN MERCHANTS' CHAMBER BUILDING,
BACK BAY RECLAMATION, FORT, BOMBAY

1943

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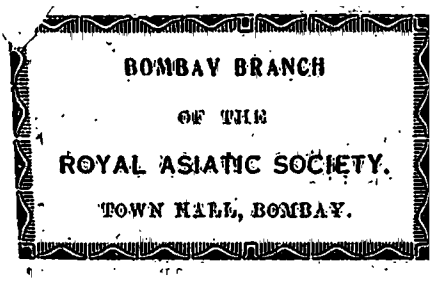

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With the Compliments

of

The Secretary

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THIRTY-FIFTH ANNUAL GENERAL MEETING

The 35th Annual General Meeting of the members of the Indian Merchants' Chamber was held on Wednesday, the 27th January 1943 at 4-0 p.m. (S.T.) when the following members were present :

Mr. J. C. Setalvad (President)
Mr. Haridas Madhavdas (Vice-President)
Mr. Pranlal Devkaran Nanjee

1. Mr. Manu Subedar
2. ,, Behram N. Karanjia
3. ,, Mr. Gordhandas G. Morarji
4. ,, M. M. Amersey
5. ,, Madhavlal M. Bhatt
6. Dr. K. A. Hamied
7. Mr. C. S. Patel
8. ,, Vijaysinh Govindji
9. ,, R. G. Saraiya
10. ,, B. S. Dabke
11. ,, B. M. Bhargava
12. ,, Shantikumar N. Morarji
13. ,, M. L. Dahanukar
14. ,, Sarabhai Pratapraj
15. ,, Sagarmal Mody
16. ,, R. M. Nanavati
17. ,, Sankalchand G. Shah
18. ,, Vithaldas D. Govindji
19. ,, Morarji J. Vaidya
20. ,, Vankatrao Sista
21. ,, Mohanlal A. Parikh
22. ,, D. B. Irani
23. ,, A. A. Trivedi
24. ,, K. S. R. Iyer
25. ,, M. A. Master
26. ,, C. T. Shah
27. ,, Lakhamsi Gellabhai
28. ,, G. A. Kulkarni
29. Dr. Kalimudin
30. The Metal Exchange Association
31. Mr. R. D. Shah
32. ,, M. V. Nayak
33. ,, Essufally Mahomedally
34. Mr. H. N. Contractor
35. ,, C. A. Buch
36. ,, N. H. Pujara
37. ,, Mathuradas Devidas
38. ,, F. D. Mehta
39. ,, N. C. Jhaveri
40. ,, T. C. Thakore
41. ,, I. B. Patel
42. ,, N. M. Lakdawala
43. ,, S. D. Sharma
44. ,, J. M. Shah
45. ,, Dhirajlal C. Modi
46. ,, Keshavprasad C. Desai
47. ,, Shamji Velji
48. ,, Kantilal Madhavdas
49. ,, Maneklal P. Shah
50. ,, I. B. Damania
51. ,, S. H. Shah
52. ,, J. D. Dave
53. ,, B. D. Char
54. ,, Jagmohandas M. Mehta
55. ,, H. A. Shah
56. ,, K. H. Dhamdhere
57. ,, Purshotamdas H. Shah
58. ,, Gordhandas Jamnadas
59. ,, K. S. Amin
60. ,, S. M. Mistry
61. ,, N. Bhattacharya
62. ,, Himatlal T. Muni
63. ,, A. M. Pakwasa
64. ,, Jayant Amarchand
65. ,, Y. A. Fazalbhoy
66. ,, H. M. Desai

67. Mr. J. P. Mehta
68. ,, J. A. Shah
69. Major S. A. Paymaster
70. Mr. M. A. J. Noble
71. ,, S. P. Eranee
72. ,, N. J. Gor
73. ,, Alimahomed Mecklai
74. ,, Rahim Jusuf
75. Mr. Husein A. Fazalbhoy
76. ,, Premji Chatrabhuj
77. ,, Jamnadas Harakhji Sanghvi
78. ,, J. N. Parikh
79. ,, Mathradas Haridas
80. ,, R. Tulsidas

Mr. J. K. Mehta (Secretary)

1. The Secretary read the notice convening the meeting.

2. Mr. J. C. Setalvad, the Retiring President, in placing before the meeting the Report of the work done by the Committee and the audited statement of accounts for the year 1942, made the following speech :—

GENTLEMEN,

The report of the work done by your Committee during the last year, and the audited Accounts of the Chamber are in your hands. I propose the adoption of the Report and the Accounts.

Before I deal with the principal questions of the year, I should like to congratulate the Chamber on having secured, as my successor, Mr. Haridas Madhavdas as the President for 1943. It is not necessary for me to introduce Mr. Haridas to you, as he is well known to the Bombay public in general and the commercial and industrial community in particular, as a leading businessman. Among the few names that can be counted on finger-tips among Bombay's leading businessmen is Mr. Haridas. He is a leading cotton merchant, and has a large and varied experience of this staple trade of the City and the Province. He was the Vice-President of the East India Cotton Association for a number of years and also President for some time, and in that capacity has got a unique experience of both business and public life. He is also connected with the textile industry of the city. He has got energy and earnestness of purpose, and I am quite sure that he will carry on the traditions of the Chamber, as President, most successfully. The Chamber has got, as its principal objective, strengthening the Indian business community and creating feelings of unity and cohesion, and stands for service to the country, and believes in the principle that the institution is greater than the individuals whoever they are. It is these traditions by which the Chamber and all those responsible for it have been upto now guided and I am quite sure that in future also it will be the same traditions which will guide the future administration of the Chamber.

I am also glad to know that the Chamber has elected Mr. Pranlal Devkaran Nanjee as the Vice-President for the new year. Banking is going to be one of the pivotal problems, and I am quite sure Mr. Pranlal's services will be most useful to us.

A future historian, sitting down to write the history of India, when he comes to 1942, will have to characterise that year as one of hopes destroyed, assurances broken, statesmanship lost, and countries disillusioned. In short, we have all passed through a slough of despond, and from the beginning of the year upto its end, there has been no reprieve for this country at least. We had days of hopes, when Sir Stafford Cripps came on his historic mission ; but, unfortunately, that mission went to merely add to the catacomb of broken hopes. The state of the country, in fact, became much worse after the mission than before it ; and the policy pursued by the Government of India since 9th August last has bewildered, to put it mildly, some of its best supporters and friends. I have already referred, in my speech for the last Quarterly General Meeting, to the rule by ordinances and wholesale repression. I also expressed, as our Committee and our General Meeting did before that, our condemnation of the manifestations of violence ; wherever they might have been. Violence begets violence ; and just as there is no change in the policy of repression, there is, most unfortunately, no change in the manifestations of sabotage and violence which are seen in different parts of the country. No one can say if it is the Congress which has chosen the adoption of this policy of violence or whether it is some other party or coterie which has taken advantage of the absence of the Congress leaders to pursue methods which will prove most disastrous to the country, to the trade, industries and agriculture of the country and also to its general public. The time has come, however, when we must speak out most strongly against some of the steps taken by this new party of violence as, as Mahatmaji has time and often observed so very strongly, such acts of violence can never lead a country to liberty and freedom or to peace and prosperity. These manifestations have had their reactions in an extremely undesirable form on the country and its people. Our transport has been dislocated to some extent, our local trade and industries have suffered, valuable lives have been lost, and much property has been destroyed. It must be borne in mind that all this destruction means the destruction of the country itself. Government spokesmen seem to have considered it definite that these acts are due to the policy of the Congress itself. It is, however, preposterous to suggest that Gandhiji, whom His Excellency the Viceroy referred to as the greatest man in the country, and whom Field Marshall Smuts also considered as one of the biggest men at present, and who had dedicated his life to non-violence, could have at all initiated a policy which

goes counter to all his life work, life principles, and his public and private declarations. I am afraid, for my part, that, taking advantage of the absence of some of the leaders, certain people have chosen to queer the pitch for the Congress, and Government spokesmen have taken this up to condemn more and more the Congress and to set up a strong barrier between the Congress and the country in general. With regard to the policy of Government, I should like to put a straight question. Are they satisfied that the policy which they have been pursuing is the best in the interests of the country, Indo-British relations, and the United Nations ? There is such a thing as statesmanship, and I cannot conceive that British statesmanship is dead altogether. The British have not to look at present to merely their own prestige, but they have to look to the cause of the United Nations India is one of the main jumping grounds, if not the jumping ground now, for an attack against Japan. She stands just as the rock of Gibralter stands in the Mediterranean ; and the United Nations, who have already got large contingents of soldiers, sailors and air pilots in this country, cannot surely ignore or treat with indifference feelings of 400 million people. You cannot make a distinction, as it is being done in some quarters, between Indian soldiers and Indian people. It is Government who have got greater powers and greater strength, and it is, therefore, Government who have got greater responsibilities. They must realise that the course they have been pursuing will not tend to ensure co-operation between India and England, and it is this co-operation which is wanted at present, both in the interests of this country and the United Nations. We want that India should stand united to fight against foreign enemies on her frontiers. We appreciate that England and America have sent up their armies in her defence. Unless, however, India is allowed an equal place to fight for her own freedom against foreign aggressors, and unless she stands united and free, the Indian people will not have that enthusiasm and impetus which the other nations have. If this is not done, the implication and interpretation might be that the other Allied Nations have been sending out their armies here in order to look to their own interests in the Pacific and in the Far East, as India is of such vast military importance as a stepping ground as I have just now remarked. Unfortunately, Mr. Churchill happens to be an Imperialist of Imperialists, and he evidently does not believe in satisfying the sentiments and feelings and the hopes and aspirations of subject peoples. He recently observed :

> "We have not entered this war for profit or expansion but only for honour and to do our duty in defending right. Let me, however, make this clear. We mean to hold our own. I have not become the King's First Minister to preside over the liquidation of the British Empire. I am

> proud to be a member of the vast Commonwealth and society of nations gathered around the ancient British monarch without which good cause might well have perished....."

There was any amount of criticism of this, but there was not evident any attempt to explain this Imperialistic sentiment coming from the British Premier. Does it mean that, with the passing of time and with the nearest approach of the Allied Nations to victory, the glow of high ideals and the quest for the Holy Grail begins to dim, and that at the time of the Peace Table, India and the other subject countries, of course Asiatic subject countries, will be left high and dry in the same state in which they are ? The war has already entered on its fourth year, and let it not be said that Britain, through her own Imperialistic ambitions and motives, came in the way of subject countries, like India, throwing in their lot wholeheartedly with the United Nations and bringing about a victory within the earliest possible time.

I referred above to the set-back which has been observed in the relations between Great Britain and India since the Cripps' Mission. The object of the Cripps Mission was a high and noble one, viz. to place India on a footing of a full-fledged Dominion, according to the Westminster Statute, with complete powers to declare herself independent if she wished to do so. The preamble stated :

> " The object is the creation of a new Indian Union which shall constitute a Dominion associated with the United Kingdom and other Dominions by a common allegiance to the Crown but equal to them in every respect, in no way subordinate in any aspect of its domestic or external affairs."

One of the most hotly contested questions at the time of the Round Table discussions was the so-called safeguards for the British commercial community. It was one of the most satisfactory features of the Cripps' proposals that it was stipulated that there would be no reservations as regards the services of the British commercial interests. The failure of the Cripps Mission has led, among other untoward results, to the revival of the cry of the British commercial interests for their so-called safeguards. It has been recognised by the saner elements of the British commercial community that the only safeguard they should have should be the goodwill of the Indian people and that any further safeguards would only lead to bitterness. Continuance of safeguards would mean that there was no real self-government and that India was still under the heels of British Imperialism. It is all very well to abuse Indian commercial and financial interests, as Mr. Churchill did, but, surely, Indian commercial, financial and industrial interests should

not be expected to be enamoured of their present position of economic subjection.

The revival of the demand of the British commercial community for commercial safeguards was voiced by Lord Craigmyle and Lord Catto in the House of Lords, recently. Lord Craigmyle has brought forward the report of the Simon Commission, which should have been deemed to be dead as Dodo, in support of his contention that the Europeans in India are in a wholly exceptional position. They abused Sir Stafford Cripps and other statesmen for their so-called policy of appeasement and trotted forward the old plea that " the men who, for many generations, have made our rule and our trade in India an example of fairness to all mankind were to be outside its protection. They were, so to speak, to be in a new class of untouchables ' " Indians of all shades of opinion have denied altogether these claims. There is, indeed, an element of humour in the situation, when we are seriously told that the British commercial community are a set of untouchables. In putting forward the case of the British commercial community, Lord Craigmyle has drawn a long bow, and it is interesting to see him saying that " some day there would be written a tale how British businessmen in the Tea Industry organised camps and medical service and transport and food for no less than half a million famished refugees from Burma, largely Indian refugees." I need not make any comments on this. All I must say is that it is extremely short-sighted for the British commercial community to again start with their cry of vested rights and privileges and to try to come in the way of India securing her legitimate place in the Sun, by putting forward their communal and selfish demands, which are neither fair nor just.

Food Problem

The biggest and the most important question, next to the questions I have already dealt with, is the food problem. Since the war began, your Committee have been insistent in their demand that the food problem must be considered as the problem of munitions, and, quarter after quarter, in the speeches of the President and the Vice-President, as well as in the several communications addressed to Government regarding transport and other difficulties, the view has been set forward, very strongly and emphatically, that unless the food problem was tackled satisfactorily a crisis would be brought about. Unfortunately, Governments, both Central and Provincial, did not tackle the food problem in a satisfactory manner, and the result is that this country, which is an agricultural country and which is, in normal times, able to feed herself, has found herself in a situation which cannot be much distinguished from a situation of scarcity. First there came about scarcity

of sugar and kerosene ; then came about scarcity in wheat, rice, and jowar, and in fact a scarcity in all foodstuffs. It may be deemed too early yet to judge as to what were the factors which led exactly to such a condition of things. There are people who say that the control policy of Government frightened people, both the general public and the trading class, and led them to hoarding. I myself consider that the control policy was inevitable and that the situation without control might have been worse than what it is now. We cannot, ostrich-like shut our eyes with our ears, and consider that serious conditions internally, consequent upon the war, do not exist. An abnormal situation cannot become normal, simply by ignoring it. What, however, I should say is that the control system was adopted in an imperfect form. A proper control system implies not only control of stocks and control of prices but also rationing. Control of stocks, again, should not mean only control of the visible stocks, but also invisible stocks. The Government of India should have the control over all the Provinces of the country. The fixation of prices left much to be desired, and rationing is still being thought out. Government should not have, looking to the vast interests at stake here, allowed the transport system to break down. Even if it was necessary to send out wagons and engines outside, their place should have been filled up as soon as it began to be felt that a crisis was in the brewing. Not only that but at a certain stage, looking to important interests at stake, exports of grain and cloth should have been prohibited. India is one of the main pivotal places at present and steps should have been taken to build up and strengthen the Defence, both from a military and economic standpoint from the very beginning. The economic standpoint, according to me, includes transport and food supply. Government considered that the slogan of " Grow More Food ", which was given some publicity last year with the help of inane and imbecile pictures we saw at Railway stations, would suffice for getting more food immediately and conserving the food stocks. That slogan did not, ultimately, get the grain which was needed. Unfortunately, while this was the case, exports were allowed on a fairly big scale of some of the foodstuffs. It might have been deemed necessary to send some of the foodstuffs for our Army, but, surely, the interests of India should have been considered preponderant and no exports should have been allowed to neighbouring countries, even though friendly. We have 400 millions of people to feed, and besides this we have to keep in perfect trim our own big army and the armies of the United Nations who are stationed here. The export policy, therefore, of Government is the third factor which I consider responsible for the present conditions. The fourth factor, which I consider responsible, is the unfortunate propensity of hoarding and profiteering found among merchants

and traders. It may be argued that hoarding is an ordinary business instinct, and that it is sometimes justified on grounds that no business would go on unless there was some sort of hoarding. One might accede to this in ordinary peaceful times, but, as I have already said, these are abnormal times and any sort of hoarding is, therefore, against the interests of trade and industries and entirely an anti-social act calculated to prove disastrous to the people at large. It has been one of the happiest traditions of our merchants and traders that in times of scarcity or public calamity they would come forward with their foodstuffs and feed the starving population and save men, women and children from disease and death. Hoarding at such a time is diametrically opposed to this tradition. I do not agree with the view put forward, in certain quarters, that hoarding is responsible for the crisis which has overtaken us. It is due largely to the failure of Government to supply the day-to-day requirements of the people, which has led naturally to fright and nervousness and practically forced the people to have some hoarding as they were afraid that otherwise they and their families would suffer from starvation. The hoarding has come about, but not to the extent which has been put forward by people who do not want to find the real causes elsewhere. The fifth factor, which I consider responsible, is the want of co-ordination between the Provinces. When the sugar scarcity was at its worst, it was understood, by our businessmen as well as Government officials, that India had enough and to spare of sugar, and that it was not understandable why there should have been such a scarcity. It was plainly given out, at the time, that want of co-ordination between the Provinces was behind the scarcity of sugar. It is the same want of co-ordination between the Provinces, which is behind the present scarcity of wheat and other foodstuffs. To me, it is not only a Government question, not only a business question, but also a constitutional question. It is said that, on account of the war emergency, the Government of India are obliged to take large powers in their hands from the Provincial Governments and a number of Ordinances are issued which apply to all the Provinces of the country. Why should not the Government of India then take further powers to take control of grain stocks available in the country and arrange for their equitable distribution among the different Provinces in order to relieve the acute situation prevailing in the country ? This is imperatively necessary in view of the unreasonable attitude taken up by certain surplus Provinces like the Punjab, U.P., Bengal, Sind, etc. I should like to appeal to the Premiers of those Provinces which have still got their Provincial Autonomy and to the Governors of Provinces which are ruled under Section 93 of the Government of India Act, to release, for the suffering deficit Provinces, sufficient stocks of food-

stuffs. India is one large country and it behoves different Provinces to come to the help of each other in times of dire distress. Your Committee have been, from the very beginning of this crisis, taking an active interest in the question, and have been doing their best to get Governments, both Central and Provincial, to take steps to meet the disaster, for it cannot be called by any other name. We have asked for measures to improve transport ; we have asked for measures to stop exports of foodstuffs to foreign countries ; we have asked for measures to introduce co-ordination of the Provinces, and we have asked for measures for introducing a better control and a better and more equitable distribution. Government have instituted a Food Council and a Standing Committee, and are alive to the dangers of the situation. I have recounted to you the different factors which are accountable for the situation, and I hope that if there is complete co-operation between Government and the business community and the general public, we shall be able to fight the crisis and to save the City and the Province from the foodscarcity. The success of the fight will be ensured only if every one looks to the general good and not to his own class or self-interest.

In this connection I should like to pont out that there has been a good deal of misunderstandng between the three principal parties, viz. Government, wholesalers and retail merchants. I do not want, for more reasons than one, to apportion the blame, but I should like to point out to a very interesting publication named " Food Control in Great Britain ", wherein some very pertinent observations are seen with regard to the position of traders, Government and the general public *vis-a-vis* the food situation. Thus, it is said

" The work of distribution in peace time is carried out by private importers, brokers, wholesalers and retailers, most of whom, by virtue of long experience, have a thorough knowledge of their trades. It seemed to the food authorities that if the men and women who were accustomed to handling the problems of wholesale and retail distribution could be used as agents of the Ministry of Food to carry on their work in the public interest it would place at the Government's disposal the experience of food trade as no other system could. Food control, as envisaged before the war by the Food (Defence Plans) Department, was to be a control ' exercised through machinery operated, so far as practicable, by food traders themselves and before each plan is completed care will be taken to see that it is understood and regarded as workable by the trades concerned '. This was the policy of Lord Rhondda in the last war and it is the policy today.

" The policy of working closely with the trades concerned in creating and administering control schemes seems to be

sound. It is clear that no Government 'department could possibly replace all or even a major part of the traders by civil servants and expect to maintain the distributive mechanism without serious break-down. It is equally clear that any large-scale break-down in distribution, even for a few days, would seriously inconvenience a great industrial country."

I cannot help saying and pointing out, with as much emphasis as I can command, that what is required for meeting such a crisis in the country is the restoration of popular Governments in the different Provinces and establishment of a popular National Government at the Centre. It is confidence which is the main thing ; and it is no use hiding the fact that Governments, constituted as they are, do not enjoy that confidence of the public, which should be there, if the war has to be fought on the two fronts : one on the frontiers and the other inside the country for the food situation.

Before I close, I would like to acknowledge and put on record my appreciation of the work done by our Secretary, Mr. Jayasukhlal Mehta. His experience and intimate knowledge of men and matters have been a great source of strength to the Committee in these trying times and he has been of invaluable assistance to me personally in getting through the large volume of work done by the Chamber during the year. I must also express my appreciation of the enthusiastic services of our First Assistant, Mr. Ramalingam, and all the members of the staff. They have done their duty cheerfully and well.

With these words, Gentlemen, I propose the adoption of the Report and the Accounts.

3. Mr. Haridas Madhavdas, the Incoming President, in seconding the proposal for the adoption of the Report and the Accounts, made the following speech :—

MR. PRESIDENT AND GENTLEMEN,

I have great pleasure in seconding the proposal for the adoption of the Report and the Accounts placed before you by Mr. J. C. Setalvad, the retiring President.

I am deeply obliged to you all for the honour you have done to me by electing me as President of the Chamber for the new year. I am also thankful to my friend, Mr. Setalvad, for the very kind words in which he has referred to me. It has been well said that the time for appreciation is when one doffs the armour and not when one dons the same. I hope I shall be deserving all the high praise given to me when I retire from the responsible position I am called upon to fill now. I hope too that, with the co-operation of Mr. Pranlal Devkaran Nanjee, whom you have elected as Vice-President, and of you all, I shall be discharging the duties—heavy and onerous duties—of

the President of the Chamber to the satisfaction of you all and in the best interests of the country.

Financial Position

The President has referred, in his very able speech, to two fundamental questions, which form the pivotal questions as it were, of the present situation, viz. the present political situation and the food situation. I should like to refer to a few questions, among them being the financial position of the country. The colossal expenditure which is being incurred on war by different leading countries is as follows :

	Estimates for 1942-43
Great Britain	£ 3000 millions
U. S. A.	$ 53,000 ,,
Australia	£ 520 ,,
South Africa	£ 140 ,,
India	Rs. 133 crores

These are vast figures. With regard to India itself, I must make the position clear. I consider that Rs. 74 crores (the amount spent in 1940-41) is the most reasonable amount for military expenditure for this country, although the budget figure for this year (1942-43) was put down at Rs. 133 crores. The President has well pointed out that India has an important place, as important as Gibraltar in the Mediterranean, for military operations ; and so, looking to her financial condition, the United Nations must incur the increased expenses. It is no exaggeration to say that we have reached our taxable capacity long since, and looking to the fact that we have to pay enormously in other ways for helping the war operations, the burden of taxtation ought to be as light as possible. We have to confront the terrible problem of food shortage, transport difficulties, and all this should be considered as our contribution, in a direct or indirect form, to the war expenditure.

Sterling Balances

There is a very large increase in the Sterling Balances lying to our credit in England, and your Committee have been, for some time past, considering the question of their disposal. The Sterling assets with the Reserve Bank of India in its Issue Department amounted to just under Rs. 60 crores in August 1939, i.e. just before the war. On 15th January 1943, the figure stood at Rs. 350.8 crores. This is exclusive of the balance with the Banking Department which on that day amounted to over Rs. 66 crores. It is significant to point out that on 1st January 1943, the balance was in the neighbourhood of Rs. 480 crores, but the amounts taken to finance the further stage of the repatriation scheme have reduced the

same to the present level. The recent decision to purchase Railway Debentuers will absorb another £20 millions. Even after all this, the aggregate balance will remain near the 400 crores mark. It is also reasonable to assume that we will be continuing to accumulate Sterling, perhaps, at the same fast rate.

Incidentally, it may be mentioned that, out of a total sterling debt of £276 millions or Rs. 369 crores outstanding at the end of 1936-37, £198 millions had been retired by the end of August 1942. The Finance Member, in his last Budget speech had estimated that for payments in connection with the redemption of 3½ per cent undated Stock on 5th January 1943, a sum of about £70 millions (about Rs. 103 crores) would be required. This has also been met. The payment of Railway annuities in October 1942 absorbed another Rs. 42 crores. After the repayment of Railway Debentures, as announced on 16th January, the balance of liabilities on account of borrowings for the Railways will amount to about £20 millions. Then there are the debentures of semi-Government bodies like Port Trusts, Improvement Trusts, etc. amounting to about £9.7 millions. There are also Sterling Debentures of public utility concerns like the Calcutta Tramways, Cawnpore Electric Supply Co., Tata Power Supply Co., Madras Electric Supply Co., and Sterling shares of such public utility undertakings amounting in all to £7.8 millions. If it is decided to repay all these, about £40 millions more would be absorbed.

Various suggestions have been made, both in the Press and in discussion in public bodies regarding the further utilisation of the Sterling Balances. These suggestions are as under :—

1. Purchase of foreign obligations of India, including British investments and enterprises in India.
2. Acquiring Gold.
3. Acquiring Dollar resources.
4. Purchase of Capital equipment such as machinery, etc.

These suggestions will have to be examined by your Committee and communicated to Government for consideration and necessary action. In any case, it would not be desirable to allow the balances to remain accumulated in its present form. There is the danger of Sterling depreciating at the end of the war, and even during the course of it, and we must avoid the consequences of such depreciation on any large-scale holding of Sterling balances by us.

International Agreement

The war has run for more than three years. India does not occupy now an isolated place ; but, at least that is what the assurance is given to us, she occupies a leading place in the international sphere. We have always emphasised our view

that all international agreements must be entered into between India herself on one side and the other high contracting party or parties on the other. What generally happens, unfortunately, is that India, being a part of the British Empire, is asked to remain satisfied with Great Britain acting as a Trustee for her and conducting all the negotiations and agreements herself. Under such circumstances, the interests of India may not be looked after ; and it is our bitter experience that generally they are not. We shall be able to make ourselves heard at such International Conferences only when our status is fully recognised and when we have got *our own* representatives and not the representatives of the Government of India, at those Conferences. There is, recently, the question of Lease-Lend with reference to which an agreement has to be entered into between India and U.S.A. The extent of the Lease-Lend aid and the counter Lease-Lend has not been still precisely known. There cannot be any happy agreement between a giant and a dwarf, and if there is to be a Lease-Lend Agreement between U.S.A. and India, care should be taken that we are not called upon to pay to the same extent to which U.S.A. may pay. The United States of America is one of the richest and most powerful countries at present in the world, and the end of the war war may see her financially, economically and industrially the most powerful country in the world. Would it then be reasonable for her to stipulate that whatever expenses she may have undergone on behalf of India or whatever expenses India may have undergone on behalf of U.S.A. should all be deemed to be set off against each other and be cancelled, without there being any payments on either side ?

There is an important question in this connection which must not be lost sight of. You must be remembering that the International Chamber of Commerce passed resolutions at its Congress Session that the tariff and fiscal barriers between one country and another should be abrogated in order to build up a world without war or a world with peace enduring. There was no meaning in passing such resolutions. Comparatively weak and powerless countries, however, like India, were to be the victims, if they would but not understand the game of their powerful neighbours and be willing to be led to the altar to be sacrificed in the name and cause of world peace. Thus, for instance, it was stated in one of the resolutions adopted at the Vienna Congress of the International Chamber of Commerce that tariffs and barriers to the exchange of goods and services that violated principles of international trade were one of the fundamental causes of the prolongation of the then prevailing depression, and their reduction or removal was essential to the restoration of the normal international trade. Mr. Walchand Hirachand, who then represented India at the Vienna Congress, emphasised that " India needs protection as

a means to attain that industrial development, which alone could improve the standard of life of the Indian people " ; and that " her industries unlike industries of western countries, were in an infantile state ". Whoever may be sitting at the Conference table when the Agreement with U.S.A. is being considered will, we hope, see that the Agreement does not aim at India being merely a supplier of raw products and getting her finished products from foreign countries. There is no reason why we should rest content with supplying abundant cheap raw materials to the industrially advanced countries and should get all our requirements of finished products from them in return ? It is because India has been in such a position for the last several years, and Government have not adopted vigorous measures to take her out of such conditions, that when the last war broke out in 1914 and when the present war broke out in 1939, India was found in a practically unprepared position.

Cloth Shortage

The President has dealt with the question of food shortage. There is, however, another shortage, which threatens to be equally dreadful, and that is the shortage of cloth. It was almost at the close of the last war that such a shortage was felt. The figures of imports and production of cloth at the time were as follows :—

(*In million yards*)

	1913-14	1914-15	1915-16	1916-17	1917-18
Imports	3,130.48	2,400.98	2,100.66	1,830.63	1,475.06
Mill production	1,164.3	—	1,441.5	1,576.5	1,614.0
Handlooms	73 million yards in 1920-21				

Figures of production, imports of cloth, together with figures relating to exports and the offtake by the Supply Department are given in a table below.

From the position as indicated therein, the estimated available cloth for consumption is 1,550 million yards in 1942-43. To this may be added the estimated handloom production of about 1,800 million yards, taking the total net supply to 3,350 million yards, as against our requirement of about 6,000 millions yards. Exports of cloth from India have, during the last five years, increased at an enormous rate from year to year, mainly because of the cessation of imports from U.K. and Japan, to countries in the Middle East, South Africa, etc. There are also the requirements of the Supply Department. These purchases increased from 300 million yards in 1939-40, to 600 millions in 1940-41, and 1,000 million yards in 1941-42 ; and it is expected

that it will be at least 1,200 million yards in the present year. It is no wonder, therefore, that the cloth shortage has taken such a serious turn. The table of Supplies, Demand and Net Supplies, as indicated by the Federation of Indian Chambers of Commerce, in a recent communication, is given below :—

(*In millions of yards*)

	1938-39	1939-40	1940-41	1941-42	(estimates) 1942-43
SUPPLIES:					
Mill production in India ...	4269·2	4012·5	4269·5	4493·6	3900·0
Imports ...	672·9	579·1	447·0	181·3	50·0
TOTAL SUPPLIES	4942·1	4591·6	4716·5	4674·9	3950·0
DEMAND:					
Exports ...	307·7	359·0	554·6	985·6	1200·0
Purchases by Supply Department ...	...	300·0	600·0	1000.0	1200·0
SUPPLIES NOT AVAILABLE FOR CIVILIAN CONSUMPTION ...	307·7	659·0	1154·6	1985·6	2400·0
NET SUPPLIES AVAILABLE FOR CIVILIAN CONSUMPTION ...	4634·4	3932·6	3561·9	2689·3	1550·0

Just as we have insisted that there should be a total ban on exports of foodstuffs, so we urge that there should be a total ban on exports of cloth. People had to go practically without cloth during the depression which followed the last war. I am afraid that this crisis is coming sooner this time, and unless proper precautions are taken poor people will have to go without cloth. The Federation of Indian Chambers of Commerce and Industry has issued an appeal that the well-to-do section of India's population should reduce their purchase of cloth as far as possible, so that the poorer sections might have a large supply of cloth at their disposal. They should follow the slogan of " BUY LESS CLOTH ", so that the masses can buy their minimum requirements to cover their bodies. I strongly echo the sentiment expressed in this appeal, and I hope that proper response will be given to it by people in this City and Province.

SHIPPING AND SHIP-BUILDING

The one unforgettable lesson brought home by modern wars is that if a maritime country wishes to maintain its entity and to safeguard its existence, it must possess both a navy of

supply and a navy of defence of her own. It is, however, a tragedy of British rule in this country that India has neither been allowed to develop a national mercantile marine nor to realise and discharge its duty to itself of developing a national navy of defence. We have always been told that British shipping would meet our requirements and British navy would fully protect our shores and our maritime trades. The loss of allied mastery over the Indian Ocean and the practical cessation of trade and navigation in an important area of these waters in the early part of the last year has brought home to us the bitter truth that we cannot merely depend upon the British Navy. It has failed us at a critical juncture. India cannot remain as an isolated power in the world after the war. India, therefore, cannot ignore the imperative necessity of building up her own national defence on land, on sea as well as in the air.

I am, of course, aware of the existence of what is known as the Royal Indian Navy. I appreciate and welcome the efforts which have recently been made for its expansion. I must, however, tell you very frankly in justice to India and her fair name, that we cannot call it an Indian or a National Navy. A tiny little fleet of small ships dominated and commanded largely by British Officers is not my conception of a national navy for our country. A free country must be able to defend itself. It may have to enter into treaties of mutual protection with friendly and neighbourly powers. It, therefore, cannot ignore its first and essential duty to build up truly national forces of defence, if it wants to maintain its freedom amongst other nations. What India wants is a powerful fleet of ships of defence manned, officered and controlled by the nationals of the country. I know that some more Indians have been taken as ratings and a few qualified Indians have been allowed to act as Officers in this service during the present war and a great deal of political capital is made out of these measures dictated by war exigency with a view to make outside interests believe that India has got a national navy of her own. The ratings have been taken because European seamen are not available in sufficient numbers. Indians have been given commissions only for the duration of the war. They may not be absorbed as permanent officers of a national navy. An overwhelming majority of the Officers will be Britishers in the post-war future as they have been in the past. But direction, control and command of outside interests shall not be consistent with the conception of a free India and it shall be the first duty of a truly National Government to see that not only Indians are taught the art and science of defence but are given the fullest opportunities to put it into practice when occasions may arise for a free India to defend her shores and her people.

The absence of a national mercantile marine also has been seriously felt since the outbreak of the war. Those of you, who are engaged in the import and export trade of the country, know to your cost how the absence of a well-developed national shipping has resulted in the loss of the trade which you have built up in the past. Had there been an adequate national mercantile marine, Indian Government would not have to go a-begging before the British Ministry of War Transport for the means of importing food grains from other lands. Had there been an adequate merchant marine, our Government could have easily counteracted the efforts of a Corporation like the U.K.C.C. which is actively diverting the normal channels of trade usually controlled by Indians themselves. Had there been an adequate navy of supply, a tremendous pressure could have been lifted from the railways.

I, however, welcome the very far-seeing and pregnant observations of the Commerce Member made at the recent "Dufferin" Prize Distribution ceremony that,

> "One cannot help feeling that had adequate steps been taken in time to promote the development of an Indian mercantile marine and an Indian navy, our country would have been in a position to play much larger and a more effective part in overcoming Axis aggression ;"

and that,

> "I hope the lessons of this war will not be lost upon us and that every effort will be made to help to develop Indian shipping and ship-building industry."

May I, therefore, urge upon the Commerce Member with all the emphasis at my command not to miss this opportunity, while he is in the seat of authority, to take all immediate, active and effective steps to build up both a navy of supply and a navy of defence, large and powerful navies, to adequately meet the vast requirements of a free India ?

I shall not detain you by referring at any great length to the imperative need of a ship-building industry for this country. Both Australia and Canada have developed a ship-building industry because, as Mr. Walter Runciman observed in other connection, speaking in the House of Commons in 1935, these "Dominions have their own shipping policy which is nationalistic in character". If America can build four ships per day, and if the Dominions can develop ship-building industry in the midst of the war, are we not justified, gentlemen, in condemning the apathy of our present Government in not doing anything to encourage our national efforts even to build one ship during four years ? Even Admiral Sir Fitz Herbert himself, in his broadcast in August 1940, emphasised the imperative need of a ship-building industry for India. He stated :—

> " I would like to mention also another subject vital to India's progress and having a close relation to our naval needs. It is the ship-building industry."

Mark the words " vital to India's progress and having a close relation to our naval needs ". He added :

> " It is obvious to me and I think to a great many other people that the sooner a ship-building industry is started the better for India."

The authorities in Delhi, however, make no response even to the strong cry raised by the Admiral himself. The Admiral further made it clear :

> " Such an industry to be successful needs courage, enterprise and forethought. That all these are present in India is a fact that cannot be denied."

We all know how efforts are being made by Indians to build up this industry. They have shown courage, enterprise and forethought. The Government of India do not consider all these national efforts as a part of the war effort and thus have dealt a serious blow to the development of the key industries of this country, even during the war. No words could be strong enough to condemn such an anti-national policy. I shall not, therefore, say anything more on this subject.

With these words, I second the proposal for the adoption of the Report and the Accounts.

4. Mr. Pranlal Devkaran Nanjee, the Incoming Vice-President, while supporting the proposal for the adoption of the Report, thanked the members of the Chamber for having elected him as the Vice-President for the year.

5. In the general discussion that followed, Major S. A. Paymaster, Mr. Himatlal T. Muni, Mr. Sankalchand G. Shah and Mr. Dhirajlal C. Modi participated.

The proposal for the adoption of the Report and the Accounts was then put to the vote and carried unanimously.

6. The Secretary read the Scrutineers' Report regarding the result of the election of office-bearers for the year 1943.

The same was recorded.

7. Mr. Keshavprasad C. Desai proposed that Messrs. Devidas Vithaldas & Co., be appointed auditors for the year 1943 and that their remuneration for the work be fixed at Rs. 200.

The same was seconded by Mr. Vithaldas D. Govindji and on being put to the vote was carried unanimously.

8. Mr. Sarabhai Prataprai then moved the following resolution, of which he had given notice :—

"The Indian Merchants' Chamber view with apprehension the recent speeches of Lord Craigmyle and Lord Catto and the trend of European business opinion in India as they have ascertained from other sources, and strongly condemn the implications which involve curtailment of the full Sovereign authority of the National Government as may be established hereafter. The Chamber condemn all attempts at prior commitments safeguarding non-Indian interests and obstructing the full growth and development of Indian industries owned, controlled and managed by Indians by measures which may be taken by the future Government of Free India. The Chamber call upon Government of India and Indian public opinion to stoutly oppose such moves anywhere where they see them and to watch out that Indian interests now or hereafter are not sacrificed to satisfy the non-Indian interests and to consolidate the continuation of imperialistic exploitation of India."

The same was seconded by Mr. Alimahomed Macklai.

After Messrs. Sarabhai Prataprai, Alimahomed Macklai and Sagarmal Mody had spoken on the resolution in question, the same was put to the vote and carried unanimously.

9. Mr. C. S. Patel proposed a hearty vote of thanks to the retiring President, Mr. J. C. Setalvad.

The same was seconded by Mr. M. A. J. Noble and on being put to the vote was carried with acclamation.

The meeting then terminated.

CHAIRMEN OF THE INDIAN MERCHANTS' CHAMBER

1907—13	Sir Manmohandas Ramji.
1913—14	Sir Purshotamdas Thakurdas, C.I.E., M.B.E.
1914—15	Sir Fazulbhoy Curimbhoy, C.B.E.
1915—16	Sir Dinshaw Edulji Wacha.
1916—17	Sir Lallubhai Samaldas, C.I.E.
1917—18	Sir Vithaldas D. Thakersey.
1918—19	Sir Chunilal V. Mehta, K.C.S.I.
1919—20	Mr. Jehangir Bomanji Petit.
1920—21	Mr. Lalji Naranji.
1922	Sir Purshotamdas Thakurdas, C.I.E., M.B.E.

1923	Sir Fazulbhoy Curimbhoy, C.B.E. (from 24-2-23 to 8-9-23).
	Mr. Devidas Madhowji Thakersey (from 4-9-23 to 25-1-24).
1924	Sir Manmohandas Ramji.
1925	Sir Phiroze C. Sethna, O.B.E.
1926	Mr. Lalji Naranji.
1927	Mr. Walchand Hirachand.
1928	Sir Shapurji B. Billimoria, Kt., M.B.E. (from 31-1-28 to 20-3-28).
	Sir H. P. Mody (from 30-2-28 to 17-7-28) and Mr. L. R. Tairsee (from 28-7-28).
1929	Mr. L. R. Tairsee.
1930	Mr. Hooseinbhoy A. Lalljee.
1931	Sir Chunilal V. Mehta, K.C.S.I.
1932	Mr. B. N. Karanjia (till November).
	Mr. Mathuradas C. Matani (November to January).
1933	Sir Manmohandas Ramji.
1934	Mr. Mathuradas Vissanji.
1935	Mr. Manu Subedar.
1936	The Hon'ble Sir Rahimtoola Chinoy, Kt.
1937	The Hon'ble Mr. Govindlal Shivlal Motilal.
1938	Mr. Gordhandas G. Morarjee.
1939	Mr. J. C. Setalvad.
1940	Sir Chunilal B. Mehta.
1941	Mr. M. C. Ghia
1942	Mr. J. C. Setalvad.

Secretary : Mr. J. K. Mehta.

Assistant Secretaries : Mr. A. C. Ramalingam, and Mr. K. P. Daru.

CHAMBER'S REPRESENTATIVES ON PUBLIC BODIES—1942

Representative in the Legislative Assembly (Central)

Mr. Manu Subedar, M.L.A.

Representative in the Bombay Legislative Assembly

Mr. M. C. Ghia, M.L.A. (Bombay).

Representatives on the Board of Trustees of the Port Trust

1. Sir Purshotamdas Thakurdas, C.I.E., M.B.E. (Cotton).
2. Mr. B. N. Karanjia (Piecegoods).
3. Mr. Ramdas Kilachand (Grain and Seeds).
4. Mr. M. A. Master (General).
5. Mr. Sankalchand G. Shah (General).

Representative on the Bombay Municipal Corporation
Mr. Bhawanji A. Khimji.

Representative on the Advisory Committee of the Bombay Development Department
Mr. Manu Subedar.

Representative on the Indian Central Cotton Committee
Sir Chunilal B. Mehta.

Representative on the Advisory Committee of the Royal Institute of Science in Bombay
Dr. M. S. Patel.

Representatives on the Local Advisory Committee of Railways

G. I. P. Railway
Mr. Madhavlal M. Bhatt.

B. B. & C. I. Railway
Mr. Chhotabhai S. Patel.

Representatives on the Panel of the Railway Rates Advisory Committee

1. Sir Purshotamdas Thakurdas, Kt., C.I.E., M.B.E.
2. Mr. Manu Subedar.
3. Mr. Mathuradas Vissanji.
4. Sir Rahimtoola Chinoy.
5. Mr. Kapilram H. Vakil.

Representative on the Governing Body of the Indian Mercantile Marine Training Ship "Dufferin"
Mr. M. A. Master.

Representative on the Senate of Bombay University
Mr. Mangaldas B. Mehta.

Representative on the Traffic Control Committee (Bombay)
Mr. Mohanlal A. Parikh.

Representative on the Board of Communications
Mr. Keshavprasad C. Desai.

Representative on the Indian Sailors' Home Committee
Mr. M. A. Master.

Representative on the Board of the Bombay Telephone Co. Ltd.
Mr. Vithaldas D. Govindji.

Representative on the Sydenham College Advisory Board
The Hon'ble Sir Rahimtoola M. Chinoy, Kt.

Representative on the Ramniranjan Anandilal Podar College of Commerce
Mr. M. C. Ghia, M.L.A.

Representatives on the Panel of Employers under the Industrial Disputes Act
Mr. J. C. Setalvad.
„ M. M. Amersey.
„ Behram N. Karanjia.
„ M. C. Ghia.
„ M. A. Master.

Representative on the Provincial Transport Authority under the Motor Vehicles Act
Mr. J. C. Setalvad.

Representative on the War Supplies Advisory Committee, Bombay
Mr. M. C. Ghia.

Representative on the Prohibition Research Advisory Board
Sir Chunilal B. Mehta.

Representative on the Panel of Advisers re: Priority Recommendations for Import of Machinery (1942)
Mr. M. C. Ghia.

Representative on the

Advisory Committee under the Trade Marks Act—Mr. M. C. Ghia, M.L.A.

Yarn Advisory Committee—Mr. J. C. Setalvad.

Civil Defence Committee—Mr. J. C. Setalvad.

Advisory Committee for Coal—Mr. Thakorelal H. Vakil.

Advisory Committee for Coke—Mr. Gordhandas G. Morarjee.

Transport Board Advisory Panel—Mr. M. A. Master.

Committee re: requisitioning of godowns—Mr. R. G. Saraiya.

Advisory Panel for transport of gunnies and hessians—Mr. Haridas Madhavdas.

Food Advisory Council—Mr. J. C. Setalvad.

Advisory Committee for exports of piecegoods and yarn—Mr. Haridas Madhavdas.

OFFICE-BEARERS FOR THE YEAR 1943

President

Seth Haridas Madhavdas.

Vice-President

Seth Pranlal Devkaran Nanjee.

Members of the Committee

(1) Elected :

1. Mr. J. C. Setalvad.
2. ,, Ratilal M. Nanavati.
3. ,, Vithaldas D. Govindji.
4. ,, Sankalchand G. Shah
5. ,, Gordhandas G. Morarji.
6. ,, R. G. Saraiya.
7. ,, Madhavlal M. Bhatt.
8. ,, M. M. Amersey.
9. ,, Chimanlal B. Parikh.
10. ,, Amratlal Kalidas.
11. ,, B. S. Dabke.
12. ,, Mahomedhusein Hasham Premji.
13. ,, Sarabhai Prataprai.
14. ,, Vijaysingh Govindji.
15. ,, Chhotabhai S. Patel.
16. ,, Dhirajlal C. Modi.
17. ,, Mangaldas B. Mehta.
18. ,, B. M. Bhargava.
19. Prof. Sohrab R. Davar.
20. Mr. Behram N. Karanjia.
21. ,, Nandvadan J. Gor.
22. ,, Thakorlal H. Vakil.
23. ,, Ali Mahomed Mecklai.

(2) Co-opted : (a) Individual Members—

1. Sir Cowasji Jehangir, Bart.
2. Sir Chunilal V. Mehta, K.C.S.I.
3. Mr. Fazal Ibrahim Rahimtoola.

(b) Association Members—

1. The Grain Merchants' Association (Sheth Khimji Shamji).
2. The Bombay Shroff Association (Mr. Jayantilal M. Shah).
3. The Bombay Bullion Exchange, Ltd. (Mr. Lachmandas H. Daga).
4. The Maharashtra Chamber of Commerce (Mr. M. L. Dahanukar).
5. The Bombay Grain Dealers' Association (Mr. Khimji Madan Bhujpuria).
6. The Seeds Traders' Association (Mr. Ramdas Kilachand).
7. The Indian Insurance Companies' Association (Mr. Mathuradas Dwarkadas).
8. The Bombay Rice Merchants' Association (Mr. Dewji Tokarsee Moolji).
9. The Bombay Iron Merchants' Association (Mr. A. A. Jasdanwala).
10. The Chamber of Income-tax Consultants (Mr. Bhogilal C. Shah).
11. The Indian National Steamship Owners' Assocn. (Mr. Ratanchand Hirachand).
12. The Bombay Cotton Merchants & Muccadams Assocn. (Mr. Purshotamdas H. Shah).
13. The Indian Motion Picture Producers' Assocn. (Mr. M. B. Billimoria).
14. The Silk & Art Silk Mills Association (Mr. Ramdeo A. Podar).
15. The Association of Electrical Undertakings, Bombay Province (Mr. N. C. Jhaveri).
16. Association of Indian Importers of Dyestuffs (Mr. K. H. Kabbur).

(2) Ex-Officio Members:

1. Mr. Manu Subedar, M.L.A. (Central Legislative Assembly).
2. ,, M. C. Ghia, M.L.A. (Bombay Legislative Assembly).
3. ,, M. A. Master (Bombay Port Trust).
4. ,, Ramdas Kilachand Do.
5. Sir Chunilal B. Mehta (Indian Central Cotton Committee).
6. The Hon. Sir Rahimtoola M. Chinoy (Sydenham College Adv. Committee).
7. Mr. Bhawanji A. Khimji (Bombay Municipality).
8. Seth Chatrabhuj Gordhandas (Trustee of the Chamber.)
9. Mr. Keshavprasad C. Desai (Bombay Board of Communications).
10. Dr. M. S. Patel (Royal Institute of Science).
11. Mr. Mohanlal A. Parikh.

Mr. J. K. Mehta, M.A. (Secretary).

,, A. C. Ramalingam (Asstt. Secretary).

LIST OF JOURNALS AND PERIODICALS RECEIVED IN THE LIBRARY OF THE INDIAN MERCHANTS' CHAMBER

Quarterly

1. Journal of the Council for Scientific and Industrial Research (Australia).
2. The Journal of the Indian Institute of Bankers.
3. *Round Table.
4. Journal of the University of Bombay.
5. Indian Journal of Social Work.

Bi-Monthly

1. Industrial Safety Survey (International Labour Office).

Monthly

1. *Monthly Bulletin of Statistics issued by the League of Nations.
2. International Conciliation.
3. London Chamber of Commerce Journal.
4. Monthly Journal of the Liverpool Chamber of Commerce.
5. ,, ,, ,, Manchester ,, ,,
6. ,, ,, ,, Bradford ,, ,,
7. The Commercial Review, Alleppey.
8. Southern India Commerce.
9. *National Geographical Magazine.
10. Mercantile Guardian.
11. *International Labour Review.
12. Bombay Labour Gazette.
13. Monthly Sea-borne Trade Return of British India.
14. Monthly Statistics of Cotton, Shipping and Weaving in Indian Mills.
15. Trade at Stations adjacent to Land Frontier Routes.
16. Raw Cotton Trade Statistics.
17. Joint Stock Companies.
18. *Modern Review.
19. *Asia.
20. Indian Concrete Journal.

* Subscribed for by the Chamber.

21. Monthly Review of the Lloyds Bank.
22. ,, ,, ,, National City Bank of New York.
23. ,, ,, ,, Federal Reserve Bank.
24. Mysore Economic Journal.
25. Tisco Review.
26. *Fortune (U. S. A.).
27. Financial Times.
28. Safety News.
29. *Indian Textile Journal.
30. *Indian Home.
31. The Ceylon Trade Journal.
32. Journal of the Motion Picture Society.
33. Public Information Series.
34. Quaranty Survey.
35. *New Indian Antiquary.
36. Marketing in India.

Fortnightly

1. Insurance Review.
2. *Income-tax Report.
3. Journal of the Joint Stock Companies.

Weekly

1. *Economist.
2. *New Statesman and Nation.
3. *Commerce, Bombay.
4. *Indian Finance.
5. Indian Trade Journal.
6. Commerce Reports (U.S.A.).
7. Industrial and Labour Information (I.L.O.).
8. *Bombay Government Gazette.
9. *Gazette of India.
10. Commerce and Industry.
11. Austral News.
12. *Roy's Weekly.
13. Weekly Market Report by Messrs. Premchand Roychand.
14. *Indian Social Reformer.
15. The Financial News.

16. *Kesari (Bi-Weekly).
17. Annalist.
18. Capital.

Occasional

1. Central Legislative Assembly Debates.
2. Council of State Debates.
3. *Publications of the International Labour Office.
4. Indian Tea Statistics.
5. Indian Coffee Statistics.
6. Indian Agricultural Statistics.
7. Wholesale Price of certain Staple Articles of Trade at Selected Stations in India.
8. *Publications of the League of Nations.
9. Bulletins issued by the United States Bureau of Labour Statistics.
10. Bulletins issued by the Government of Bombay, Department of Industry.
11. Bulletins issued by the Government of Bombay, Agricultural Department.
12. Bulletins issued by the Council of Agricultural Research Commonwealth of Australia.
13. Reports of several Chambers of Commerce and other Commercial Associations.
14. Reports of Tariff Board.
15. Publications issued by the Department of Commercial Intelligence and Statistics.

Gujerati Periodicals

1. Gujerati Punch (Weekly).
2. Khetiwadi Vignan.
3. Prasthan.
4. Majur Sandesh.
5. Suvas.
6. *Khadi Jagat.
7. *Khadi Patrika.

REPORT OF THE COMMITTEE
OF
THE INDIAN MERCHANTS' CHAMBER

For the year 1942 presented at the 35th Annual General Meeting of the Chamber held on 27th January, 1943

Your Committee have pleasure in presenting the 35th Annual Report of your Chamber. During the course of the year 45 meetings of the Committee and over 80 meetings of the various Sub-Committees were held, the work done being of a varied and important nature.

The subjects dealt with by your Commttee have been grouped under the following main heads :—

(1) Transport and Communications (Page No. 3)

(2) Finance, Tariff and Taxation (Page No. 27)

(3) Trade, Industrial and Labour Legislation (Page No. 62)

(4) General Trade and Industry (Page No. 74)

(5) General (Page No. 113)

I. TRANSPORT AND COMMUNICATIONS.

Anglo-American Technical Mission on Ports and Shipping.

In a telegram dated 4th November addressed to the Hon'ble the Commerce Member, Government of India, the Committee regretted the omission of representatives of Indian commerce and Indian shipping from the Anglo-American Technical Mission which was appointed to investigate conditions of ports and shipping in the West Coast of India. India was vitally concerned in the enquiry and as such it was necessary that representatives of Indian commerce and shipping should be associated with the work. They also expressed surprise that although blue-water shipping was under the Department of Commerce, even the officials of the Government of India associated with the Mission were all from the Communications Department. They made it clear that they were emphatically opposed to any proposal for the transfer of shipping from the Commerce Department. Government, in their reply dated 26th November, informed the Committee that the mission was mainly concerned with technical problems and quicker handling of cargoes and quicker turn-round of ships and for that purpose it was not considered necessary to have representatives of commercial or shipping interests.

Report of the Special Haj Enquiry.

The Commissioner of Police, Bombay, along with his letter dated 22nd April, forwarded to the Committee a copy of the Special Haj Enquiry Report by Mr. J. A. Rahim, I.C.S., and desired on behalf of Government, the views of the Committee on the same for being sent to Government. The Committee in their reply dated 11th June, while welcoming the proposed improvement in the amenities and comforts available to pilgrims on board the Haj ships, stated that such proposals should be examined, keeping in view the aggregate cost that such measures would entail. The readjustment of the existing

rates of fares in relation to the new amenities should also be considered. The Committee were of opinion that the report should have considered the question of the economic rate which should be fixed by the shipping companies. It was suggested that a conference of interests concerned including representatives of shipping companies should be convened to discuss and settle the question of the rate for pilgrimages. Objection was taken to the absence of shipping interests on the Port Haj Committee as also against the registration fee which should not exceed Re. 1 for every pilgrim. The Committee also suggested that Government should in a similar way consider the question of providing for the needs and amenities of the devotees professing different faiths proceeding to their pilgrimages in this country.

Transfer of " Shipping " to the Department of War Transport.

The Committee in a telegram dated 22nd July addressed to His Excellency the Viceroy referred to reports about a proposal to transfer blue-water shipping, both coastal and overseas, from the Commerce Department to the War Transport Department and emphasised that such should be committed to the care of the Commerce Department which was in charge for several years. This was suggested in the interests of trade, commerce and industry of the country as a non-Indian had been placed in charge of the War Transport. The Committee were of opinion that railways and inland, coastal and overseas shipping as also ports should be under the charge of the Commerce Department as it was mainly responsible for the trade, commerce and industry of the country.

Merchant Navy Reserve Pool.

The Shipping Master, Bombay, in his communication dated 19th January, 1942 communicated the Government proposals to relieve the acute shortage of officers and engineers felt by the Indian Shipping by a scheme which would provide a proper reserve of trained personnel ready for immediate

service. The Committee in their reply dated 5th March stated that the Indian Merchant Marine was not in a position to bear any financial burdens arising out of the scheme like the Merchant Navy Pool. They were, however, anxious that steps should be taken to remove the acute shortage of officers and engineers which was felt by the Indian Shipping. They suggested that Government should formulate a scheme for the Merchant Navy Reserve Pool for India, which when framed, should be circulated to the Chambers of Commerce and Shipping Companies for their views.

Anti-Sabotage Protection for Vessels in Ports.

The Commissioner of Police, Bombay, in his communication dated 18th February, 1942, suggested that an Anti-Sabotage Squad should be maintained in the Bombay Port Trust Docks on the lines of a similar squad maintained in Calcutta recruited by the Commissioner of Police, Calcutta. It was suggested that the expenses of such a squad should be met from a pool collected for the purpose and that the Shipping Companies would be supplied with the necessary personnel required for keeping a watch on ships on request. The Committee in their reply dated 5th March approved of the suggestion and stated that the Indian Shipping Companies were willing to bear expenses of such a squad.

Theft and Pilferage of Cargo.

The Bombay Underwriters Association in their letter dated 8th April 1942 referred to an extract from the "Austral News," the Monthly Bulletin of the Australian Government Trade Commissioner in India, wherein, attention was drawn to the increasing evil of theft and pilferage of cargo taking place in ships while in docks or on the seas. They stated that if this menace was not checked, their Committee would have to take steps to increase insurance rates. The Committee thereupon addressed the Shipping Companies as also the Bombay Port Trust suggesting that adequate steps should be taken to check this evil of theft or pilferage of cargo on ships while on voyage or in ports.

Appointment of a non-Indian as Assistant Indian Shipping Adviser.

The Committee in their communication dated 17th October addressed to the Government of India protested against the appointment of a non-Indian as Assistant Shipping Adviser and regretted that Government were still persisting in their policy of appointing non-Indians to key posts in spite of the repeated protests from the commercial bodies and the general public. They were of opinion that suitable Indians were available, who could creditably fill the post under question.

Traffic by Country Crafts.

On a reference dated 11th August from Dr. H. T. Sorely, Officer on Special Duty with the Government of India, regarding the possibilities of increased traffic by country crafts on the West Coast of India, the Committee on 7th September replied that such an investigation with a view to diverting pressure on the railways was welcome to the trade, commerce and industry, as it would provide some relief from the increasing transport difficulties generally. The Committee made the following suggestions which, in their opinion, should help in increasing the traffic by country crafts : (*a*) Government should include within the scope of their War Risk Marine Insurance Scheme transport by country craft and the scale of premium for such insurance should be fixed at a low level. (*b*) Government should request the British Ministry of War Transport to allot to the Indian Government a few steamers to meet the urgent needs of the trade. Service by country craft might be further increased to help the situation. Building of more country crafts to this end was essential and therefore Government by way of assistance for building country crafts should give priority for getting timber, iron and steel, which would encourage the people concerned to finance the building of such crafts. (*c*) Government should give an assurance for the protection of country crafts against competition from steamer companies

after the war and that they should also further give an undertaking that the railways would not kill the country crafts by manipulation of their railway rates. (*d*) The British Ministry of Shipping should make available a few steamers either to the Government or to the Indian Shipping to run them on their behalf during the period of the construction of new country crafts. It was suggested that the rates for War Risk Insurance premium for such coastal line ships should also be reduced as the present rates were found to be excessive.

Diversion of Steamers destined for Bombay to other Ports.

The Committee addressed the Government of India on 7th July, 1942, regarding diversion of steamers destined for Bombay to other ports and mainly to Karachi. It was stated that by such diversion, great inconvenience was caused to merchants as the goods had to be cleared from the ports where they were unloaded and had to be sent to Bombay either by rail or ship. The Committee suggested that such cargoes destined for Bombay might be unloaded in lighters and delivered in the warehouses and wharf if no arrangements could be made for berthing such steamers in Bombay docks. Government in their reply dated 20th July assured the Committee that the facilities desired would be given as soon as conditions in Bombay harbour would improve.

Transport of Wheat by Country Crafts from Karachi to Bombay.

In response to the communication dated 29th January from the Government of Bombay in the matter of transport of wheat by country crafts from Karachi to Bombay, the Committee in their letter dated 4th February welcomed arrangements for the transport of wheat by country crafts.

Shipping Facilities for Export of Groundnut Seeds.

As published in the Report of the Committee for the year 1941, they had protested to Government against the inadequate freight space provided by the

Mogul Line steamers for export of groundnut seeds to Suez. Government in their reply dated 29th December, 1941 informed the Committee that the Mogul Line steamers were compelled to take only measurement cargo as their drafts were limited on account of the embarkation of pilgrims. Government, however, were informed that the company would lift groundnut seeds for Suez as soon as opportunity offered. It was added that no special shipping facilities for the export of this commodity to U.S.A. could be provided as the commodity did not figure in the shipping priority notification issued by the U.S.A.

Shipping Freight for Export of Goods to Suez Ports.

In a communication dated 19th March, 1942 addressed to the Government of India, the Committee referred to the difficulty experienced in obtaining shipping freight space for Suez or other red sea ports and stated with a view to relieve this difficulty the Scindia Steam Navigation Co., Ltd., should be allowed to berth their ships for Suez or any other red sea ports. A reference was also made to a previous communication of the Committee, in this connection, wherein they had pointed out the difficulties arising from restrictions and control imposed by Government both in regard to the movement of ships and the freights to be charged by them with regard to Indian Shipping. They stated that these restrictions did not affect the British shipping which was free to ply on the Indian coasts or anywhere they liked to go. They urged that in view of the paucity of freight, the restriction should be removed in case of the Scindia Steam Navigation Co., and that they should be allowed to accept freight for Suez and other ports.

Shipping Freight for Export of Oil Seeds and Oil to the Middle East.

The Committee in their telegram dated 26th March 1942, addressed to the Government of India drew attention to the

refusal of loading oil seeds and oil for Middle East on private account excepting for the United Kingdom Commercial Corporation by Shipping Companies on instructions received from the Ministry of Shipping. This they contended would operate in the nature of a monopoly and result in great hardship to shippers having long standing commitment. It was requested that Government should use their good offices in helping to distribute fairly between all parties and all trades freight space available without preference or monopoly for any party or body.

With reference to the correspondence between the Committee and the Government of India with regard to the shipments of vegetable oil to the Middle East, the Committee in a communication dated 27th June drew the attention of Government to part of such shipments still remaining to be shipped. The party concerned had approached Government with a request to instruct the Export Trade Controller to grant them the necessary permission which was refused. The Export Trade Controller, however, had enquired of the party whether they would sell the remaining part of their shipments to His Majesty's Ministry of Food, for which licence was refused. The Committee pointed out, in this connection, that if the parties sold their stocks, as suggested, to the Ministry of Food, their established business connections in the Middle East would be cut. It was urged that permission should be granted for the export of the remaining surplus stocks. The Committee further desired to know whether there was a total ban on exports of these oils or whether there were any exceptions to the ban. Government in their letter dated 11th July informed the Committee that the countries to which such shipments were being made were able to meet their own requirements from East Africa and therefore it was not possible, in view of the shortage of shipping space, to allow any more shipments to be made to the Middle East. It was added that no relaxation of the prohibition had been permitted in any case.

Cotton Waste Shipments to U.K. Ports.

The Committee in their communication dated 27th March, 1942, addressed to the Shipping Representative in India of His Majesty's Ministry of Supply referred to the change of procedure governing allotment of space for cotton waste shipments to U.K. Ports, whereunder, freight would be allotted on the basis of the priority of contracts, i.e., shippers who had old contracts pending would be allotted freight first and that only after all such pending contracts had been disposed off, consideration would be given for shipments in respect of current contracts. The Committee pointed out, in this connection, that under the old procedure, freight space was being allotted to shippers on the basis of pre-war average of each such shipper, which system, in the opinion of the Committee, had worked smoothly, whereas the new procedure had brought in an element of unfairness, whereby, reasonable commitments of those who had taken care to enter into contracts only to the extent of their ability were greatly jeopardised.

Appointment of Deputy Chairman for the Bombay Port Trust

It was brought to the notice of the Committee that a post of the Deputy Chairman on the Bombay Port Trust was proposed to be created and that a non-Indian was suggested to fill up the same. The Committee thereupon addressed their representatives on the Board of the Bombay Port Trust requesting them to oppose the suggested appointment of a non-Indian, as such a move was contrary to the accepted policy of the Government of India for indianising the superior services of the Port Trust.

Appointment of the Chairman of the Karachi Port Trust.

In a telegram addressed to the Government of India on 4th February 1942 the Committee referred to the expiry of the term of office of the present Chairman of the Karachi

Port Trust and urged that in his place a suitable Indian Chairman should be appointed.

Waivure of Port Trust Demurrage Charges.

In a communication dated 21st August addressed to the Bombay Port Trust, the Committee requested that the Port Trust should waive the extra dock charges during the period of the disturbances in the city and that the days covered by the disturbances should be treated as *dies non* for purposes of calculating extra dock fees for wharfage. The Committee referred to the previous cases in which the Port Trust had given this concession and urged that such waivure should be allowed in case of the disturbances in the city.

Facilities for Storage of Jute, Gunnies, Hemp, etc.

It was represented to the Committee that on account of the closing of the Port of Calcutta for the export of jute, gunnies and hemp, such commodities were being diverted to Bombay for shipments to the United Kingdom, U.S.A. and other foreign countries. It was further represented that arrangements for storing these commodities at the docks while awaiting shipment were inadequate as a result of which such goods were likely to deteriorate while in the docks. The Committee requested their Representatives on the Board of the Bombay Port Trust to take up the matter with the Port Trust Authorities.

Cart-Chits for Export Cargo.

The Manager, Bombay Port Trust Docks, invited the opinion of the Committee on a proposal of the Collector of Customs that Cart-Chits for goods brought down to the Docks for shipment should be standardised and should be entered into in English and in vernacular, with a view to facilitating checking at the gates. In their reply dated 28th October, the Committee pointed out that the proposal that particulars should be entered into both in English and vernacular would result in great hardship, as a large number of people

engaged in that type of work did not know English. They added that the existing practice of furnishing the particulars either in English or in the vernacular should be continued. In a further communication dated 18th November, the Committee were informed that it was not proposed to insist on Chits being written in English but that shipping bill numbers and date should be entered in them in future.

Governing Body of the I.M.M.T.S. "Dufferin".

Mr. M. A. Master was re-elected as a representative of the Chamber on the governing body of the I.M.M.T.S. "Dufferin" for a further term of 2 years commencing from April 1942.

Interview with Mr. J. H. F. Raper, Member, Railway Board.

The Committee had an interview with Mr. J. H. F. Raper, Member, Railway Board, on 20th May 1942, when the following questions were discussed :—

1. Railway Rates and Fares.
2. Transport of Coal.
3. Transport Priorities.
4. Boards of Transport and Non-Official Representation.
5. Co-ordination of Transport.

Shortage of Wagons.

At a joint conference of the different Chambers of Commerce the Chief Traffic Manager, G. I. P. Railway, had given an assurance that steps would be taken to relieve the acuteness of wagons shortage. On receiving complaints from various parties that the situation with regard to the supply of adequate number of wagons had not improved since then, the Committee addressed the Chief Traffic Manager, G. I. P. Railway on 8th January, 1942 drawing his attention to the difficulties that were experienced by merchants as a result of the continued shortage of wagons. The Committee forwarded along with the letter specific com-

plaints of merchants, the chief among them being from Messrs. Purshotam Bhanji & Co., re : supply of wagons for gunny bags from Howrah to Bombay, and from Messrs. Bachhraj & Co., re : heavy delay in transit of consignments of cotton booked from stations in the Berar to Bombay. It was urged that careful attention should be paid to such complaints.

The Railway Board in their reply dated 19th January 1942 referred to the establishment of a Board of Transport by the Government of Bombay at whose instance they were arranging supply of selected number of wagons preferentially for transport of selected commodities. They therefore suggested to the Committee that urgent transport requirements should be communicated to the Board of Transport which would consider and give priority of movement where necessary. The Committee in a further communication dated 5th February desired to know if coal was included in the list of selected commodities for priority. The Federation of Indian Chambers of Commerce and Industry in their circular letter dated 14th February requested the Committee of the Chamber to forward to the office of the Federation specific cases of difficulties experienced by the members of the Chamber regarding shortage of wagons for the transport of essential commodities like coal, coke, fuel, foodstuffs, etc. The Committee accordingly sent such cases of hardship to the office of the Federation as desired.

The Supply of Wagons for Transport of Cotton.

In a telegram dated 4th December, 1941 addressed to the Government of India, Communications Department, the Committee drew the attention of Government to the difficulties resulting from the acute shortage of wagons especially in the cotton belt due to the new cotton season which had begun. It was suggested that with a view to relieve the present situation with regard to the supply of adequate number of wagons, the petrol rationing scheme so far as it affected trade lorries should be suspended for a period of at least three months till the busy season in the trade was over or if that

was not possible the rationing on a more liberal scale should be allowed. The Railway Board on behalf of the Government of India in their reply dated 6th January, 1942 informed the Committee that everything was being done to ensure the supply of maximum number of wagons for loading cotton. It was added that Government were not in a position to accept the suggestion of the Committee regarding liberal supply of petrol under the rationing scheme.

The difficulties in getting wagons for the transport of cotton was the subject of a communication addressed by the Committee to the G. I. P. Railway authorities on 26th November 1942. The position, it was pointed out, was particularly bad in so far as movement of cotton from centres in the Central Provinces and Berar to places like Baroda and Ahmedabad was concerned. They stressed the necessity for taking every possible step to facilitate movement of the new crop, as otherwise the cotton trade, the agriculturists and the cotton textile industry would be put to serious inconvenience and loss.

Transport of Groundnut Oil.

In a communication dated 18th June addressed to the Transport Board, Government of Bombay, attention was drawn to the inadequate supply of tank wagons for the transport of groundnut crude oil from Latur to Bombay. It was suggested that in case the railway was unable to spare tank wagons, facilities for the transport of oil in drums should be introduced and early re-transport of drums should be arranged.

Wagons for Transport of Gur over R. K. Railway.

A complaint was received from Messrs. P. K. Patel & Co., Anand, re : allotment of wagons for transport of gur from stations on the R. K. Railway to centres in the Gujerat. It was mentioned that the firm was not getting wagons in proportion to the quantity moved by them in past years and that the arrangement appeared to be that the wagons were distributed amongst all applicants in an equal manner without any reference to previous shares. In a letter dated 5th November

addressed to the Traffic Superintendent of the Railway, the Committee urged the desirability of introducing a system whereby wagons would be allotted on the basis of share of goods moved from the different stations in the previous years. In a reply dated 13th November the Traffic Superintendent pointed out that the wagons were being supplied according to the priority register maintained at the station concerned and that no change in the procedure was possible. The Committee addressed a further communication asking for detailed information re : the basis on which priority was being settled.

Railway Freight on Coconut Oil.

On 11th June, 1942, the Committee addressed the G. I. P. Railway pointing out the disparity between the rates in force for the carriage of groundnut oil and coconut oil from Bombay to Shalimar. It was contended that as the prices of the two oils did not have much difference, there was no justification for the rate of coconut oil being higher than that for the groundnut oil. The G. I. P. Railway in their reply dated 17th June stated that as the coconuts were chiefly grown in South India and as large quantities of coconut oil were produced in that area, the haulage of the coconuts or the oil from South India to Bombay subsequently to be despatched to Calcutta was unnecessary in view of the present emergency. They, therefore, could not accept the request of the Committee for the reduction of the rate for coconut oil. The Committee in their reply dated 24th June requested that the present objection of the Railway to reduce the rate for coconut oil should not be continued after the war.

Railway Freight on Hemp.

The Committee had addressed the Railway Board drawing their attention to the discrepancy in freight rate for hemp for certain stations from Calcutta and Bombay, as published in the Annual Report of the Chamber for the year 1940. The Railway Board in their reply dated 14th February regretted that they were unable to request the

B. N. Railway to adjust the rate for hemp in the manner suggested.

Supply of Wagons for Return of Empty Drums.

In a communication dated the 18th February addressed to the Board of Transport the Committee referred to the complaint of the Bombay Oil Merchants Association re : refusal to supply wagons for the return of empty drums from up-country stations and urged that adequate number of wagons should be supplied for such purposes. The Board in their reply regretted their inability to do anything in the matter.

Goods Traffic from Sant Road Station.

In a communication addressed to the Chief Traffic Manager, B. B. & C. I. Railway, the Committee drew attention to the difficulties of Messrs. Gor & Company in obtaining wagons for transport of glass-ware and certain other materials manufactured by them on account of stoppage of bookings from the Sant Road station where their factory was situated. It was pointed out that in response to representations to the railway authorities from this firm of manufacturers, one wagon per week had been allotted to them for transport of their materials, which facility, the company were informed, would now not be made available to them. It was stressed that if no arrangement was made for supplying wagons to the company, the backward class labour in the station would lose employment.

Wadi Bunder Goods Sheds — Sunday Working.

As published in the Report for the year 1941, the Committee were opposed to the introduction of Sunday as a working day in the Wadi Bunder sheds for purposes of clearance of arrivals. The Chief Traffic Manager of the G. I. P. Railway in his reply dated 30th December 1941 referred to the view of Government that the provisions of the Shops and Establishments Act were not operative against the removal of goods on Sundays from railway depots and assured the Com-

mittee that he was prepared to draft additional staff for the Wadi Bunder goods sheds to enable deliveries to be effected on Sundays provided the public would co-operate in the removal of goods on Sundays and holidays. The Committee in their reply dated 7th January reiterated their view that if the depots were kept open for clearance on Sundays, the existing rule for treating Sundays as *dies non* for railway wharfage should not be withdrawn and that Sunday working should be treated as voluntary. The G. I. P. Railway in their letter dated 28th May informed the Committee that the response of the public was poor in regard to Sunday working and the railway would be compelled to cancel Sundays as *dies non*, if this continued. The Committee in their reply dated 12th June referred to the meeting of the Representatives of the Chamber with the authorities of the Railway in the office of the Goods Superintendent and assured that if at a later stage, it was found necessary to expedite clearance on Sundays, they would approach Government for exemption of the Bombay Shops and Establishments Act for the employees of merchants. A further communication was received from the Railway on 17th November stating that deliveries on Sundays will be effected only between 8-0 a.m. and 4-0 p.m. and that goods made available for delivery upto 2-0 p.m. on Sundays would be allowed to remain free of wharfage only till closing time on the following Mondays. The above proposal was communicated by the Committee to the trade interests concerned.

Wagons for Coal Transport

In a communication dated 19th February 1942 addressed to the Railway Board the Committee referred to a notification issued by the B. N. and E. I. Railways whereunder it was proposed to introduce a procedure to ensure that wagons for priority orders for coal would be supplied in full before ordinary demands were met. Under the notification allotment of wagons for coal on public accounts would be suspended for five days in the week on which days it was understood, priority orders would be met in full. The Committee pointed out in

this connection that the experience of coal merchants here led them to believe that the indents were never met in full either for priority orders or even loco orders and that it was not made clear whether priority for Government or loco or industries was meant by priority orders. The Committee desired to know how many wagons were moved on the days allotted for priority orders and how many were moved on other days.

Reduced Freight on Coal during Slack Season

The Committee in their communication dated 8th September addressed to the Chief Traffic Manager, G. I. P. Railway referred to the notice issued by the Railway to the effect that the 15% surcharge would be enhanced to 20% as from 1st December 1942 on railway freight for coal, coke and patent fuel and pointed out that the notice called upon those concerned to take the opportunity of laying in stocks of coal before 30th November 1942. It was pointed out that this notice created the impression that there was sufficient number of wagons for laying in stocks of coal before 30th November after which date, the demand for rail transport for other commodities would be heavy. They, however, stated that the wagon supply situation of the railway was not encouraging and the presumption raised by the notice was misleading and was likely to create a misunderstanding between the consuming public and the coal merchants. It was, however, urged that in accordance with the notice sufficient number of wagons should be made available to the trade before 30th November. The G. I. P. Railway in their reply dated 22nd September stated that as the Controller of Coal Distribution regulated coal transport as well as determined the order of priority in supply of railway wagons for coal, the railway could not give any assurance regarding the supply of wagons.

The Committee in a further communication dated 15th October informed the Railway that the procedure under which allocation of wagons and priority for the same were being carried out was known to them. What they wished to empha-

sise was that inspite of the inability of the Railway for supplying wagons in terms of their notification for laying in stocks during slack season, such a notification was actually issued which had the obvious result of creating misapprehension amongst the constituents of the coal merchants who would be led to believe, according to the Railway Notification, that the coal merchants were in a position to lay by stocks. The Committee informed the railway that certain coal merchants had been proceeded against by coal consumers for losses sustained by such consumers on account of their orders remaining to be fulfilled. The G. I. P. Railway in their letter dated 10th November observed that they had tried to meet the requirements of the coal traffic as far as possible and agreed that in future in order to avoid any misapprehension in public minds, notification exhorting coal consumers to lay by stocks during slack season would not be issued.

Booking of Coal to the Manganese Depot.

As published in the Report of the Committee for the year 1941, the Coal Wagon Supply Committee had explained that booking of public coal to the Manganese Depot was being restricted to prevent coal of priority supply and for bunkering steamers being mixed up with public consignments. The Committee in this connection addressed a telegram to the Railway Board drawing their attention to the two separate sidings at the Manganese Depot, viz., Coal Bunder and Tank Bunder and stating that if booking was allowed to Manganese Depot freely, there was no likelihood of coal despatched under public supply being mixed up with priority or bunker coal as stockists had got separate sites and their consignments could be placed separately. It was added that if this was not possible, arrangement should at least be made to allow booking of public coal to Coal Bunder siding separately. The Railway Board in their reply dated 9th March informed the Committee that the Bombay Port Trust Railway were unable to open it to unrestricted bookings.

Coir Matting on Railway Platforms Receiving Oil Casks

As published in the Report of the Committee for the year 1941, the Committee had carried on correspondence with the G. I. P. and the B. B. & C. I. Railways with regard to the urgency of providing coir matting on goods sheds platforms for receiving oil casks with a view to minimise damage. In this connection, the Committee in their further communication dated 6th January requested the B. B. & C. I. Railway to provide cushions on such railway platforms to minimise damage to casks as were provided by the G. I. P. Railway. The Committee was informed through their representative on the Local Advisory Committee of the B. B. & C. I. Railway in this connection that the Railway had agreed to provide such facilities at Carnac Bunder.

Concessional Rate for Transport of Automobiles.

The Motor House (Gujerat) Ltd., represented to the Committee that their request to the B. B. & C. I. Railway for concessional rate for transport of automobiles assembled at their factory in Port Okha had not been favourably considered. It was pointed out in this connection that certain Assembly Plants in Bombay had been granted concessional rate for despatch of their cars to various centres. The Committee referred this question to their representative on the B. B. & C. I. Railway Local Advisory Committee with a request to do the needful in the matter who informed the Committee that the Railway was not agreeable to grant such concession in view of the war conditions existing at present.

Booking of Small Consignments and Nominated Loading.

In reply to a suggestion for nominated loading of small consignments from the G. I. P. Railway, the Committee approved the proposal by their letter dated 7th July. The Committee were of opinion that merchants could with advantage club together and send different lots in one consignment on a wagon-load basis to the same destination. This would

result in quick despatch of goods and remove some of the transport difficulties.

Cancellation of Certain Trains on the B. B. & C. I. Railway.

The Committee in a telegram dated 8th January 1942 addressed to the Government of India protested against the cancellation of two main trains on the B. B. & C. I. Railway running from Bombay to upcountry and *vice versa*. A reference was made to the extreme over-crowding of trains under the present circumstances as also to the suffering and hardship to the passengers which were greatly enhanced by the cancellation of trains. It was suggested that the B. B. & C. I. Railway should improve their coal supply position with a view to relieve the congestion of traffic. The Railway Board in their reply dated 30th January informed the Committee that the cancellation of passenger trains was due to a serious drop in the coal stocks of the B. B. & C. I. Railway owing to causes outside their control. It was added that owing to congestion of traffic over the G. I. P. Railway, additional important goods trains had to be diverted via B. B. & C. I. Railway and therefore even if the coal position improved it was not possible to resume the train service in the near future. The Committee in a further letter dated 17th February urged that no further curtailment in passenger services should be made on the railway.

Restriction on Pilgrim Traffic to Gaya on the E. I. Railway.

In their communication dated 9th October 1942, addressed to the Government of India, the Committee, in view of the importance attached to the pilgrimage to Gaya by Hindus, requested Government to provide railway facilities for pilgrims visiting the place of pilgrimage, which facility had been withdrawn according to Government Notification, whereunder pilgrims intending to travel to Gaya between 22nd and 30th September would not be allowed to do so. It was urged that in view of Government not giving this facility

to pilgrims since the last three years, due facility in future should be given to such pilgrims consistent with the movement of essential commodities and foodstuffs. The Railway Board in their reply dated 25th October informed the Committee that the restrictions on pilgrim traffic were necessitated by the inadequacy of transport.

Local Advisory Committee of the G. I. P. Railway.

Mr. Madhavlal M. Bhatt was elected as a representative of the Chamber on the Local Advisory Committee of the G. I. P. Railway for a term of two years commencing from June 1942.

References from the Indian Railway Conference— Association re : Changes in Classification.

The proposal from the I. R. C. A. to charge golden syrup and refined treacle at the sixth class rate viz. the classification applicable to oilman stores was opposed by the Committee. They supported the proposal of the Upper India Chamber of Commerce that an owners risk rate for medicines should be introduced along with the railway risk rate, under which, medicines were booked at present. They opposed the proposal for including celery seeds in the classification applicable for spices and suggested that the same should be heretofore be charged as seeds N.O.C., 2 R.R.

Trunk Telephone Accounts.

In a representation addressed on 9th February to the Director-General of Posts and Telegraphs, the Committee drew attention to the unsatisfactory nature of the system of accounting of Trunk Telephone Bills prevailing in the Department. They stated that the Department in Delhi issued the bills for such trunk telephone calls made, which were payable in any head or sub-post office where there was a telephone system. In case through some irregularity on the part of the receiving office, advice of payment was not made promptly to the Accounting Office, the subscriber, even though

he might have paid his bill promptly, would be put on the proscribed list under the Departmental rules. The Committee gave an instance in which, although the subscriber had paid in his bill for his call immediately on receipt of the same, he was denied the use of trunk connection as his payment was not advised to the General Office. The Committee urged therefore the advisability of a change in the procedure and rules governing the maintenance of trunk telephone accounts.

Telegraphic Advices Regarding Cotton Shipments.

In a communication dated 21st February 1942 addressed to the Chief Censor, New Delhi, the Committee referred to the practice of the Department of not allowing the mention of the name of the steamer in telegraphic messages advising despatch of cotton shipments to the Cotton Importers and Distributors, Ltd., Liverpool on account of the British Ministry of Supply. As the organisation at Liverpool desired the name of the steamer in such advices, the Committee urged that some procedure should be devised by which such advices could include the name of the steamer without endangering the secrecy of the movement of steamers. The Committee further stated that such a difficulty was experienced in respect of shipments made to private parties both in U.K. and other countries which required examination by Government. A scheme of assisted messages, which would enable particulars regarding shipments being telegraphed, has since been introduced.

Foreign Money Orders by Airgraph.

The Postmaster-General, Bombay, invited the opinion of the Committee on a proposal to introduce a system of money orders to U.K. by the Airgraph service. The proposal was that amounts upto £10 should be allowed to be sent by airgraph. The facility was intended to assist those who had to send small periodical remittances. In addition to the usual money order commission a supplementary fee of As. 2 and the usual airgraph fee of As. 8 would be charged for the

service. It was expected that the time taken for the transit of such money orders would be between two and three weeks. The Committee in a letter dated 4th November expressed their approval of the proposal as they felt that the facility was likely to be availed of by people who had to send small remittances.

Contracts of the Bombay Telephone Company Ltd.

It was represented to the Committee that the Bombay Telephone Company was insisting on the minimum period of one year for new contracts and that the additional stamp duty of Re. 1 on the subscribers counterpart of the contract was recovered by the Company even if the subscriber did not wish to have a copy of the contract. The Committee referred this complaint to their Representative on the Board of the Company who replied to the effect that the minimum period for message rate lines was one year. But the Company did not always insist on carrying out the contract and in some cases the subscriber ceased to pay rent under the contract after 6 months. He also informed the Committee that the question of stamp duty on copy of the agreement was under consideration.

Restrictions on Motor Transport.

The Indian Roads and Transport Development Association, Ltd., in their communication dated 18th December 1941 brought to the notice of the Committee their resolution to be moved in the Board of Communications to the effect that the carrying capacity of all vehicles should be utilised to the maximum strength by the relaxation of the orders reducing the permissible laden weight of light transport vehicles from 14,500 lbs. to 12,500 lbs. and desired that the representative of the Chamber on the Communications Board should support the said resolution. They also requested the Committee to support their proposal in connection with the Road expenditure in the Communications Board. The Committee

accordingly requested their representative on the Communications Board to support the above two proposals.

Petrol Ration for Heavy Lorries.

The Committee in their communication dated 15th January addressed to Government drew attention to the difficulties experienced by the Bombay Motor Lorry Owners' Association as a result of the recent heavy reduction in the rationing of petrol. They stated that the present supply of three gallons a day to motor lorry owners was not at all sufficient to meet their necessity and the case of the motor lorry owners required serious consideration on the part of Government if transport of goods was to be maintained and if the war effort was not to be impeded. The Committee supported the claim of the Association for continuing their old basis of ration. Government in their reply dated 5th March stated that as against 50 per cent general reduction, petrol ration for lorries had been reduced to only 25 per cent and, therefore, they were unable to accede to the request of the Committee for providing more petrol for lorries.

Restriction on Private Motor Lorries carrying Persons other than Coolies.

In a communication addressed to the Provincial Transport Authority on the 18th February 1942, the Committee requested that owners of private carriers should be allowed to carry their clerical staff and others in addition to the coolies required to load and unload goods who were allowed under the present rules to be carried. The concession asked for would much relieve the difficulties arising out of the petrol rationing scheme.

Permissible Load for Motor Lorries.

As represented to the Committee, objection was taken by the Transport Authorities to load motor carriers in excess of the permissible laden weight which would include the weight of the gas producer plant as also charcoal used for working

the same. The Committee authorised the Secretary to place this matter before the Transport Board and to get the objection removed. The Transport Board had promised to consider the matter.

Board of Transport.

The Government of Bombay by their letter dated 16th February informed the Committee of the establishment of a Board of Transport to which various difficulties connected with transport experienced by the members of the Chamber might be referred. It was stated in the letter that the Chairman or the Secretary of the Board would meet the representatives of the Chamber every Friday to discuss such difficulties. Subsequently, Government also instituted an Advisory Panel to the Board. Mr. M. A. Master was appointed as the representative of the Chamber on the Panel.

II. FINANCE, TARIFF AND TAXATION.

Budget of the Government of India for the year 1942-43.

In a telegram dated 2nd March 1942 addressed to the Government of India, the Committee submitted their views on the Budget of the Government of India placed before the Legislature by the Honourable the Finance Member. The Committee remarked that the military budget which was considered very high at Rs. 45 crores had now mounted to Rs. 133 crores besides the sum of Rs. 400 crores, which was to be recovered from the British Government as also the Civil Defence Expenses amounting to about 4 crores. The Committee considered this huge expenditure as an enormous burden on this poverty-ridden land and stated that the country would not mind even this huge expenditure if the moneys were spent to build up a real defence position which as experience had shown, had not been realised. The country also would not grudge to bear this burden if the money were spent under Indian scrutiny and control and if the Government was responsible to the people. Regarding the 20 per cent surcharge in the customs duties, it was suggested that articles like kerosene oil as also stores essential for staple and war industries should be exempted from the increase. They referred to the raising of 1 million men for the army and stated that this number was insufficient in a population of 400 millions. They were not satisfied with the arrangements for the training of the personnel of the Indian Air Force and suggested that facilities should be provided for a greater number for the air force recruits as done in Canada. Increase in the surcharges on income-tax and super-taxes were objected to as pressing heavily upon the industries, trade and commerce. The policy of Government to discourage the establishment of automobile and aeroplane factories in India prevented India from developing her own national defence. The Committee disapproved of the proposals to reduce the income-tax limit

and bring in the lower middle class people. The national savings scheme proposed under the budget was in the opinion of the Committee wrongly based and would lead to hardships amongst those affected.

Revenue Payments by Cheques.

As published in the Annual Report of the Committee for the year 1941, the Government of Bombay had been requested to provide facilities for payment of land revenue by cheques. Government in their reply dated 15th June 1942, informed the Committee that it was decided to accept such payment by cheques on local banks in such places where the cash business of the treasury was conducted by a branch of the Imperial/Reserve Bank of India and that official receipt would be issued when cheques were cashed. The Committee in their reply dated 27th June 1942, requested Government to go further and suggested that cheques on all scheduled banks should be accepted by Government for cash payment. Government in their reply dated 12th August stated that the daily clearance of such cheques was essential and, therefore, cheques on all scheduled banks could not be accepted unless they were drawn on banks located in a station in which a bank treasury was situated.

Contribution Payable by the Municipal Corporation for the Improvement Schemes.

The Government of Bombay in the Gazette dated 10th June 1942 published a draft bill containing the proposals of Government for reducing the contribution payable by the Municipal Corporation for improvement schemes. The reduction in question was explained as necessary on the ground that in recent years the Corporation had lost a substantial portion of revenue by the abolition of Town Duty on cotton, withdrawal of grant-in-aid out of the profits of the Tobacco duty, etc. ; the reduction had also been felt necessary on account of the extension of primary education and improvements in essential services. The bill, therefore, proposed

reduction in Municipal contribution for the improvement schemes. The Committee in their communication dated 15th July addressed to Government gave their approval to the proposed bill.

Defence Loans — Provision Relating to Deduction of Tax at Source.

On receiving a representation, the Committee in a communication dated 18th July addressed to the Government of India suggested the desirability of not deducting income-tax on interests on any future Defence Loans that might be floated by Government. This was suggested in the interests of the middle-class and lower middle-class people who could only invest small sums and consequently had to undergo the trouble and hardship of claiming refund of tax already collected at source. The Committee informed Government that in U.K. in respect of 4% National Savings Bonds issued in 1926 and 3% National Defence Bonds issued in 1940-41, tax was not required to be deducted at source, and desired to know if there were any practical difficulties in adopting this suggestion. Government in their reply dated 7th October informed the Committee that they were not agreeable to accept their suggestion as it was not possible to determine the income or tax liability of the investor at the time of deducting the tax.

Customs Duty on Bandsaw Steel Imported from U.S.A.

Messrs. Sunderdas Saw Mills, a member-firm, represented to the Committee that they were charged customs duty at 25% on consignments from U.K. of bandsaw steel, while the duty assessable on the same imported in the form of bandsaw blades, i.e., toothed was only 10%. They also informed the Committee that they cleared the goods by paying the duty under protest and had submitted a claim for refund to the Customs Department, which claim was refused. The Committee thereupon addressed the Central Board of Revenue on 28th September, supporting the contention of the importers that the duty should have been collected under item 72(3)

of the Indian Customs Tariff as the bandsaw steel had been supplied by well-known manufacturers of bandsaws and that such steel was toothed according to the requirements of the factory. Assessment of duty under item 63(28) of the steel was not justified in the opinion of the Committee as the said article imported was for all practical purposes finished and perfected by the makers. Besides, if the bandsaw steel might be considered as a raw material for bandsaw blades, the duty at present chargeable would be higher than on the finished article, which was not in the interest of the Indian manufacturers. It was urged that the refund claimed by the company should be granted. The Central Board in their reply dated 13th October informed the Committee that it was open to the aggrieved party to apply for a revision under Section 191 of the Sea Customs Act when the question of granting refund would be considered. Subsequently the consignment was reassessed and refund on the same was granted.

Increase in Import Duty on Raw Cotton.

On 16th February 1942 the Committee addressed the Government of India in connection with the additional import duty on raw cotton levied under Ordinance No. 8 of 1942. This duty was levied to finance the cost of operations that might be undertaken by Government in regard to the surplus production of short-staple cotton which had no support in the market. While realising the gravity of the situation resulting from the slump in cotton prices and the consequent plight of the cotton growers in the country, they were of opinion that this duty would hit hard that section of the cotton textile industry which was weaving finer counts. They suggested that the purpose of giving relief to the growers of short-staple cotton would be met by appropriation from the General Revenues and Railway surplus. It was also suggested that the necessary finance could have been found by borrowing under the existing easy monetary conditions. It was urged in the interests of the cotton textile industry of the country that the relief should be provided from the General Revenues.

Goods brought from Burma to India during the Emergency

In their communication dated 24th April 1942 addressed to the Government of India, the Committee referred to the import duty collected by Government in case of goods brought into India from the occupied countries as also in the case of goods re-imported into India by evacuees. The Committee regretted that even personal effects or utensils brought by such evacuees were asssed to duty. They, therefore, urged Government that the provision under the Sea Customs Act, viz. that the abatement of duty would be allowed on goods of Indian Origin when they were imported back within three years from the date of their first exportation should not be enforced in case of goods re-imported by evacuees under such abnormal circumstances. The Committee pointed out that Government had power to exempt from the payment of duty goods under circumstances of an exceptional nature and requested that this power of exemption should be exercised in the interests of evacuees and Indian goods brought back during the emergency. The Central Board of Revenue in their reply dated 11th May informed the Committee that instructions had already been issued to the Collectors of Customs regarding the exemption of customs duty on personal effects of evacuees. As regards trade goods brought by refugees, the reply stated that if full particulars were submitted to Government by the parties concerned, as to the nature and value of the goods, the duty levied thereon, etc., Government would consider such cases.

Changes in Tariff Valuation.

The Director-General of Commercial Intelligence and Statistics, in his letter dated 12th August desired the views of the Committee regarding the proposed deletion of certain articles from the tariff classification, which articles were mainly imported from the Far East and the import of which was stopped owing to the present war situation. The Committee in their reply dated 11th September 1942, opposed the proposal on the ground that if at a future date the import of

such articles was made possible, it would be difficult to bring them again under the classification. In a letter dated the 27th August, the Director-General proposed a separate tariff value for chupchap dates as the price for the same was found lower than some of the other varieties listed together in the tariff value head "dates dry, Kapkapa, etc.". The Committee approved of the change desired.

Income-tax: Central Administration, Registration of Firms, etc.

Arising out of the interview of the Indian Chambers of Commerce at Calcutta, with the members of the Central Board of Revenue in connection with the difficulties experienced by the Indian mercantile community under some of the provisions of the Income-tax Act and the administration thereof, the Committee of the Chamber on 28th February addressed the Central Board of Revenue a representation supporting the suggestions and proposals made in the report of the said interview, a brief summary of which is as under.

Reference was made to the appointment of Special Commissioners appointed under Section 5(2) of the Act in which connection the Committee in a previous interview with the Members of the Board had stressed that the Central Department should not interfere with the territorial jurisdiction of the existing Commissioners and that such Central Commissioners should deal only with special classes of cases, an assurance regarding which was given by the Finance Member of the Government of India in the Central Assembly. In view of this, the Committee controverted the statement of Mr. J. F. Sheehy, at the interview with the Calcutta Chambers of Commerce, that Bombay had no complaints against the Central Department. With reference to the discussion the Committee had with Mr. Sheehy at their interview in 1941 in connection with the refusal to renew registration of a firm or cancellation of its registration under Section 23(4) it was pointed out that subsequent instructions issued by the Department did not meet the requirements of the situation and that it was hoped that the grievances of the assessees

under this section would be removed at an early date. They referred to their correspondence with the Central Board of Revenue regarding registration of firms and dissolution of Hindu joint families and urged that where dissolution of Hindu joint families had been accepted in the past, registration should not be refused in a subsequent year. The Committee supported the view of the Calcutta Chambers that where audited accounts were submitted, wealth statements from the assessees should not be demanded. They objected to the present practice of the Department under which they themselves sat in judgment when any points of differences in regard to questions of facts or of law arose before the apellate tribunal and suggested separation of judicial and executive functions.

Supply of Incomplete Forms by the Income-tax Office.

In a telegram dated 12th December 1941 addressed to the Central Board of Revenue, the Committee referred to the practice of the department of supplying incomplete or wrong application forms for renewal of registration wherein changes made by subsequent amendments had not been incorporated. The Committee referred to a case in which the Income-tax Tribunal rejected the application for renewal of registration on the plea that the form used was incomplete and it was alleged, the same was supplied by the Department for the purpose of filling the application. The Committee urged that Income-tax Officers should be required to correct mistakes in such applications or allow the assessees to do so and that such corrected application forms might be allowed to be considered. The Central Board of Revenue in their reply dated 11th February informed the Committee that instructions had been issued to the Commissioners concerned that steps should be taken to ensure that correct forms were supplied to the assessees and that these Commissioners were instructed that in cases where applications for registration of firms had been made on wrong forms supplied by the Department, assessees should be permitted to rectify any mistakes before orders were

passed by the Income-tax Office. The Committee in a further communication dated 27th February enquired of the position of cases that had been rejected or were pending before Income-tax Tribunal. It was urged in this connection that hardships in the case of appeals already rejected and appeals pending before the Tribunal should be removed. The Central Board of Revenue in their reply dated 18th April 1942 informed the Committee that instructions had been issued to the department that no objection should be taken regarding defects in the Forms supplied to assessees. It was added that with regard to the cases already decided by the Tribunal, it was not possible under the Act to give any relief.

Amendment to Rule 12 of the Indian Income-tax Rules.

Under the existing Rule 12(*b*) of the Income-tax Act, challans in respect of tax deducted at source on payments made to non-residents had to be prepared by the Income-tax Officer and sent to the person responsible for making the deduction in order to enable him to pay the tax to the credit of the Central Government. In the draft amendment it was required that the challan should also be completed by the person responsible for deducting and paying the tax. The Committee in their communication dated 15th January 1942 addressed to the Central Board of Revenue, suggested that on the basis of the details submitted by the party concerned, the Income-tax Department should complete the necessary challan.

Suspension of Collection of Income-tax from Assessees in Burma.

In a telegram dated the 18th February 1942 addressed to the Government of India, the Committee referred to the disorganised conditions in Rangoon and other places in Burma and urged that the Government of Burma should be persuaded to suspend collection of income-tax and land tax in Burma.

Income-tax Assessment of Life Assurance Business.

In a communication dated 7th April 1942 addressed to the Central Board of Revenue, the Committee drew attention

to the provisions of the Indian Income-tax Act relating to assessment of the business of life assurance. The rules made in accordance with Section 10(7) of the Act provide that the profits and gains on the business of life insurance shall be computed on the basis of (*a*) the gross external incomings of the preceding year from that business less the management expenses of that year, i.e., what has come to be known as 'interest-less-expenses'; or (*b*) the annual average capital surplus less 50% of the amount of such surplus paid to or reserved for the policyholders.

It was stated that the above basis led to much hardship and was proved to be inequitable to the insurance companies for the purpose of assessing income-tax. The interest-less-expenses basis would have been acceptable if the percentage of expenses to be allowed had not been specifically prescribed under the rules. Besides, the assessment on the actuarial surplus was also objectionable because of the assumption that the whole of the surplus was the profit of the business. It was suggested that if the former basis was to be acceptable, no limits of percentage of expenses should be specified. If the latter basis was selected, the surpluses belonging to or reserved for policy-holders should be exempted from assessment. It was further suggested that the life insurance business should be exempted from income-tax surcharges. The Board in their reply dated 2nd June stated that the suggestions of the Committee in this regard were not acceptable.

Indian Insurance Act—Sec. 27—Investment of Life Assurance Funds.

In a communication dated 1st April 1942, addressed to the Government of India, the Committee referred to the difficulties experienced by the Insurance Companies as a result of the operation of Section 27 of the Insurance Act, whereunder, they were required to invest 55 per cent of the policy liabilities in government securities. It was contended that especially during war-time when the securities held by the Insurance Companies were going down in prices, the

Insurance Companies concerned were faced with a difficult situation which caused to upset the actuarial and valuation results. This restriction, in the opinion of the Committee, was bound to affect the competitive capacity of the Indian Insurers *vis-a-vis* Insurance Companies registered either in United Kingdom or in foreign territories and doing business in British India as the latter were not under such restrictions, so far as their business, other than Indian business, was concerned. The Committee urged that if this restriction was removed a large portion of the insurance funds would be available for investment in industrial and other securities which would help the development and growth of the indigenous industries.

Relating Back Life Insurance Premium to the Year of Accounting.

It was represented to the Committee that under the provisions of the Income-tax Act, the amount paid as life insurance premium was allowed as a deduction if the same was paid in the accounting year. Accordingly, in cases where two such premiums were paid in one year, only one year's premium would be allowed if it was under one-sixth of the total income. The Committee referred in this connection, to the practice prevailing in U.K. whereunder the two premia paid in one year were treated as having been paid in their respective appropriate years. They, therefore, urged that the facility of relating back insurance premium to the proper years of accounting should be introduced in India. In a reply dated 12th November, the Board pointed out that under the existing provisions of the Act, rebate of tax was being granted in respect of any sums paid to effect an Insurance, provided the limit of one-sixth of the total income or Rs. 6,000 whichever was less was not exceeded ; and no objection would be taken if two years' premia were paid in any one year if the amount did not exceed the above limit. Therefore, the hardship referred to by the Committee would arise only in cases where the amount of premia exceeded the prescribed limit and as such cases were likely to be few and it was open

to the assessees concerned to arrange his premia in such a manner as to make only one year's premium in a year and to obtain the full rebate, no further clarification of the provision was deemed necessary.

Unabsorbed Depreciation Fund.

In a letter dated 11th May 1942 addressed to the Central Board of Revenue the Committee referred to the question of the position of assets on which depreciation had accumulated and which were subsequently sold. Under Section 10 of the Act depreciation which could not be set off against profits for one reason or another was allowed to be carried forward. But under the Amendment Act of 1939 the depreciation was to be funded and a portion thereof was to be allowed each year until exhausted, thus spreading the amount of depreciation over several years. The Committee in this connection drew the attention of the Central Board that the Department was taking the view that the unabsorbed depreciation could not further be allowed in case of any particular asset on which depreciation had accumulated and which was subsequently sold. It was pointed out that if this interpretation was allowed to hold good, the right of the assessee to capitalise unabsorbed depreciation would be taken away and the loss would be augmented by the amount of the disallowed portion. It was urged that instructions should be issued that unabsorbed depreciation which was capitalised would continue to be allowed even after the asset in question was sold.

The Central Board of Revenue by their Circular dated 13th May regarding computation of depreciation on written-down value basis, informed the Committee that the unabsorbed depreciation in respect of non-existing assets should be spread over the remaining assets proportionately to be adjusted against future assessments.

The Committee in reply dated 16th June 1942 informed the Board that such would not meet the requirements of the case so far as shipping assets were concerned, as depreciation on shipping assets continued to be allowed on the prime cost

basis whereunder depreciation on ships would be calculated on a fixed percentage of the prime cost. They, therefore, contended that the unabsorbed portion of depreciation could not be linked with the other assets under the prime cost basis. It was, therefore, suggested that such unabsorbed depreciation should be allowed on the profits of the subsequent year. The Board in their reply dated 21st October 1942 informed the Committee that instructions had been issued to meet the position in regard to shipping assets and depreciation in such cases would be allowed from the profits of the subsequent year.

Liability of Liquidators and Executors.

On 11th May 1942 the Committee addressed the Central Board of Revenue in the matter of the liability of liquidators and executors in regard to the payment of income-tax due from estates under their management. It was stated that the liquidators as well as the executors were personally responsible for the payment of the arrears of the tax due by the company. In the opinion of the Committee the personal liability was enhanced by the amendment of the Income-tax Act whereunder the right to reopen an assessment for escaped income extended to 4 years and in case of concealment to 8 years. Thus both the functionaries would be responsible for any escaped assessment after they had, with due diligence, distributed the assets to the beneficiaries. The Committee referred in this connection to the assurance given to persons acting as Trustees by the Controller of Inland Revenue, U.K., that such Trustees would be absolved from their responsibility for any escaped assessment if it was proved that they had distributed the assets to the beneficiaries after full disclosure of the affairs under their charge. It was urged that the Central Board would issue similar instructions in India also. The Central Board of Revenue in their letter dated 14th August informed the Committee that the personal liability regarding any escaped income of the Trustees would cease if after having made full disclosure of the affairs under their

charge, they paid income-tax claims after allowing a reasonable time to elapse to enable any other claims against the assets to be lodged and paid.

Withholding of Assessment Records.

The Committee were informed that the Central Section of the Income-tax Department was recovering tax in respect of assessments about which there was a dispute and that the assessment records were not sent to the Appellate Assistant Commissioner, in cases of disputed assessments.

The Committee thereupon addressed the Central Board of Revenue on 29th August stating that under the provisions of the Income-tax Act collection of tax in dispute was postponed at the discretion of the Income-tax Officer and that it was not possible to complete the penalty proceedings before the assessment records were examined by the Central Board. It was pointed out that the penalty proceedings and assessments were separate proceedings and Sections 30 and 28 provided for appeal against assessed tax and the amount of penalty respectively. Besides, after the Appellate Assistant Commissioner confirmed the amount of tax levied, the penalty proceedings could be started. The Committee objected to the withholding of papers by the Central Section on the plea of penalty proceedings because such practice would react as great hardship to the assessee. It was urged that the Central Board should issue instructions to the Central Section to send up the papers to the Appellate Assistant Commissioner on appeal being filed and that the same should not be withheld because penalty proceedings had not been completed. The Central Board of Revenue in their reply dated 3rd October informed the Committee that instructions had already been issued to the Income-tax Officers that they should endeavour to complete the penalty proceedings as early as possible. It was also stated that in cases where the penalty proceedings were likely to be delayed, the Commissioners were authorised to postpone the recovery of tax. The Board desired to be

informed of the cases where the tax had been recovered in respect of cases which had not been disposed of.

Double Income-tax Relief and U.K. Income-tax.

In a letter dated 11th May 1942 addressed to the Central Board of Revenue the Committee informed the Board that the practice in India with regard to computing of Double Income-tax relief on a dividend income was to gross such income by income-tax alone whereas the practice in the U.K. was that the Indian dividend income was grossed up by adding to the net dividend not only income-tax but also super-tax paid by the company. It was pointed out in this connection that in India income-tax was subjected to adjustment in the hands of the shareholders but the same was not the case with super-tax or Corporation tax paid by the company. The Corporation tax was specifically levied on companies for the benefits of limited liability. The Committee suggested that the Board should make representations to the U.K. Inland Board of Revenue authorities to follow the practice laid down in India in this regard.

Differential Treatment between Government and Private Provident Funds.

The Committee on 26th September addressed the Central Board of Revenue regarding the differential treatment accorded under the rules in force as between provident funds for Government employees and recognised private provident funds. The main points of difference were: (*a*) the employer's contributions to a fund registered under the Act of 1929 are subject to limitation of 1/6th of the total income, whereas such contributions to a fund registered under the Act of 1925 are not so included and were thus unlimited, (*b*) Gratuities to an employee were tax-free only if paid as compensation for loss of employment, and (*c*) the retiring gratuities to railway employees although paid as a reward for past services were tax-free by special arrangements with the Finance Department. It was urged that payments by private

provident funds and payment of gratuities to commercial employees should be placed on a footing of equality with such payments to Government servants. The Central Board in their reply dated 26th October observed that the existing position could not be changed without amending the relevant provisions of the Act and that the point would be further examined when an amendment of the Indian Income-tax Act was under contemplation.

Unclaimed Wages and Liability to Tax.

It was represented to the Committee that the Income-tax Department was treating accumulations by way of unclaimed wages as income for the last year with a view to taxing the whole amount in that year. The Committee thereupon addressed to the Central Board of Revenue on the 15th September stating that the total amount outstanding in the books as accumulated from year to year in respect of unclaimed wages should not be treated as income of the preceding year. It was urged that the same should be considered as accretion of capital and should not be liable to tax, as otherwise the tax liability would be increased resulting in an artificial position which was not fair to the assessee. They, therefore, submitted that such amounts should be exempted both in respect of Income-tax and Excess Profits Tax. In a reply dated 5th November, the Board observed that they were not able to agree to such accretions being exempted as capital. At the same time they pointed out that it would be open to the Income-tax Officer to relate the unpaid amount back to the relevant assessment in which they were not disallowed and that instructions were being issued not to treat such amounts as the income of the year in which it was written back.

Income-tax Tribunal — Rules and Procedure.

In a communication dated 20th March 1942 addressed to the President, Income-tax Appellate Tribunal, the Committee suggested certain reforms necessary in the rules and procedure

of the Tribunal which are briefly as follows :—Technical defects in the papers or submissions coming up before the Tribunal should be allowed to be rectified by the parties concerned with the permission of the Tribunal ; the Tribunal should have power to admit at their discretion fresh evidence at the appellate stage unless such evidence was withheld before the previous officers unreasonably or obstructively ; the Tribunal should have access to only such papers relating to an assessee's case, copies of which could also be made available to the assessee himself ; arrangements should be made for publishing the decisions of the Tribunal on points of law for the benefit of the general public ; it was suggested that the facts of the case and the names of the parties might be withheld in such publication, but important points of law might be summarised in the publication ; the rules should also permit an assessee, at the discretion of the Tribunal, to go into an additional ground in appeal although the said ground might not have been mentioned in the previous submission ; the Tribunal should also have an examiner attached to it for the facility of going through and examining the account points raised by the appellant. The Registrar, Income-tax Appellate Tribunal in his reply dated 21st May informed the Committee that the powers and functions of the Tribunal were appellate. The Tribunal, however, would consider such of the suggestions of the Committee as were possible for them to take up. Assurance was also given that the suggestions of the Committee would be borne in mind while recommending to Government proposals for the amendment of the Act.

Presentation of Appeals.

The Committee had addressed the Registrar, Income-tax Appellate Tribunal, in the matter of presentation of appeals to the Tribunal, which required that the appeal should be presented to reach the Registrar at Delhi within 60 days from the receipt of the appellate order. It was urged that arrangements should be made in respect of cases within the Bombay circle for filing such appeals in

Bombay as a branch of the Tribunal was sitting in Bombay for hearing appeals. The Registrar in his reply dated 14th March regretted that the suggestion of the Committee was not acceptable.

Appellate Assistant Commissioners.

The Committee in their communication dated 29th August addressed to the Central Board of Revenue referred to the removal of the Income-tax Appellate Tribunal from the administrative control of the Finance Department and placing the same under the Legislative Department. It was urged that in a similar manner, the Appellate Assistant Commissioners should be removed from the control of the Central Board of Revenue and should be placed under Appellate Tribunal. The Committee were of opinion that their suggestion was in consonance with the accepted principle of separating judicial from executive functions. The Board in their reply dated 12th September did not agree with the suggestion of the Committee.

Legal Expenses — Allowance of and Marginal Relief.

Expenses incurred in connection with Income-tax proceedings in regard to original assessments are allowed. Expenses regarding appeal proceedings, however, are not being allowed. The Committee, in this connection, addressed the Central Board of Revenue on 15th June pointing out that in the United Kingdom legal expenses were allowed in the case of an appeal against assessment of a company under Section 21 of the U.K. Finance Act, if the appeal was successful. Such were allowed as a concession to the assessees. It was suggested that on the analogy of the relief allowed in the U.K., legal expenses in respect of appeal proceedings under Section 23-A of the Indian Act should be allowed.

Prior to the amendment of the Indian Income-tax Act in 1939, under Section 17, marginal relief was granted in cases where the total income of an assessee had reached or exceeded a certain limit whereby the assessee was

liable to pay income-tax or to pay tax at a higher rate. This provision having been removed in 1939, the smaller assessees were experiencing a hardship on account of the lowering of the limit this year. The Committee suggested that some provision should be made in the Act whereby marginal relief would be possible.

The Central Board of Revenue in their reply dated 12th August 1942 stated that in conformity with the practice in U.K., expenses of an appeal to the Appellate Assistant Commissioner or to the Income-tax Appellate Tribunal would be allowed if the company claiming such expenses would be able to convince that Section 23-A cannot be made applicable to them. With regard to the marginal relief, the Board was unable to accept the suggestion of the Committee as the assessees with incomes within Rs. 1,500 and Rs. 2,000 were given the facility of making a deposit in the Defence Savings Bank which would be repaid after the termination of the hostilities.

Section 66 (1) of the Income-tax Act — Submission of Case to the High Court.

Under this section, an assessee has to apply within 60 days of the service of notice for the submission of a case by the Appellate Tribunal to the High Court and that there was no provision for extending the time-limit as was the case with regard to submission of appeals to the Tribunal, which had discretion to extend the time-limit. The Committee in their communication dated 13th October requested the Central Board of Revenue to provide for extension of time-limit in respect of cases submitted to the High Court if the delay in submitting such cases had occurred due to *bona fide* reason.

Straddle Business — Assessment of Profits.

The Committee in their communication dated 12th September drew the attention of the Central Board of Revenue

to the accepted procedure of assessing profits earned by straddle business by taking into account both legs of the transaction and thus assessing the net result. They pointed out, in this connection, that in some cases the Income-tax Officers were making assessments on the basis of one side of the transaction only. It was urged that clear instructions should be issued to the Department in respect of the assessment of the profits of straddle business and that both sides of the transaction must be taken into account for purposes of tax liability. In a reply dated 23rd October 1942 the Board informed the Committee that instructions had already been issued to the effect that while assessing profits made in British India by non-residents from hedges and straddle transactions, any loss incurred elsewhere in the course of the transactions as a whole should be set off provided such a loss had been determined within the accounting period under assessment. The Board added that in the case of persons ordinarily resident as well as persons resident but not ordinarily resident in British India, such instructions were not necessary inasmuch as losses in their case would, as a matter of course, be admissible in computing their total income.

Professional People and Disallowance of Loss in Business by Income-tax Authorities.

As published in the Report of the Committee for the year 1941, the Committee had desired to know from the Central Board of Revenue the procedure laid down for the purpose of treating both profits and gains and losses in respect of transactions on the Stock Exchange in regard to professional assessees such as Engineers, Doctors, etc. The Central Board of Revenue in their reply dated 5th January stated that where a person undertook isolated speculative transactions in shares which lay outside his usual lines of business and made a profit or a loss thereby, such profits or losses would not be held as arising from business, profession or vocation.

Income-tax Assessment and Allowance of Loss of Stock in Trade due to Enemy Action.

In case of ordinary loss by fire, where goods are uninsured, the loss suffered is allowed for taxation purposes. It was not ascertained in the absence of any definite pronouncement from Government, whether loss under similar circumstances due to enemy action would also be allowed. On receiving enquiries, in this connection, the Committee in their communication dated 20th March addressed to the Central Board of Revenue, desired to know whether such loss would be allowed in case of loss of stock by enemy action. The Committee, however, suggested that such loss should be treated as business loss which should be allowed for purposes of taxation.

Allowance in Respect of Secret Commission.

As published in the Report of the Committee for the year 1941 the Committee had suggested to the Central Board of Revenue that as in U.K. the allowance of Secret Commission should be decided on the merits of each case and that there should be no total disallowance of such amounts. The Central Board of Revenue in their reply dated 12th January 1942 drew the attention of the Committee that there was no provision in the U.K. Law similar to Section 38(3) of the Indian Income-tax Act under which Income-tax Officer was empowered to require any assessee to furnish particulars of commission paid, amounting to over Rs. 400 together with the names and addresses of payees. Under the circumstances, even if the procedure as followed in U.K. was observed, the assessee would not escape the requirement under Section 38(3) nor the penalty levied under Section 51(c).

Allowance of Income-tax on A. R. P. Expenses Incurred by Mills.

The Committee in their communication dated 22nd April addressed to the Government of India referred to the representation of the Millowners' Association, Bombay, addressed

to Government on the subject of expenses incurred by Mills in connection with A. R. P. Measures. While supporting the Millowners' representation on the subject, it was stated that something more should be done than giving relief in respect of income-tax alone. They supported the suggestions of the Millowners' in this connection, which were as follows : The expenditure already incurred previous to the coming into force of "Approved A. R. P. Measures" should be allowed. The full cost of all the A. R. P. Measures should be allowed for purposes of Income-tax and E. P. T. notwithstanding any consideration of permanent post-war capital commercial value. Where cent per cent of the expenditure could not be allowed, the amount of expenses not allowable should be met by Government. The cost of the demolition at a future date of blast walls, filling up the trenches, etc., should be allowable to an assessee in future years.

Government in their reply dated 6th May stated that the expenditure incurred in respect of the demolition of A. R. P. structural measures after the war would be treated as revenue expenses for income-tax and Excess Profits Tax purposes. Regarding the other suggestions, Government referred to their final scheme in the matter which covered many of the suggestions of the Committee. In a further communication dated 14th May addressed to the Government of India in this connection, the Committee desired to know whether there was a system of "classification" of factories and whether in case of "classified" factories a substantial part of the expenditure incurred on A. R. P. measures was met by cash payment from Government. They also desired to know the details of the basis on which classification was made. Government in their reply dated 26th May informed the Committee that factories were variously classified on the basis of their importance in connection with war production. The reply further stated that the information of the Committee regarding part of the expenditure incurred on A. R. P. measures by these classified factories being paid by Government in cash was incorrect.

E. P. T. Act and Negative Standard.

In a letter dated 20th March 1942 addressed to the Central Board of Revenue, the Committee referred to their previous correspondence with regard to a case where the standard period consisted of two previous years in which, in one year there was a profit and in another loss, in which case, the Committee had suggested that the standard profit should be determined only with reference to the year in which there was a profit and that the loss in one year ought not to be set of against the profit in another and the balance should be divided by two to determine the standard. It was pointed out that the Board had not agreed to the suggestion of the Committee on the plea that it would be tantamount to taking of the standard period of one year, which was not within the rules. The Committee, in this connection, referred to the provisions adopted under similar circumstances by the Canadian E. P. T. Act and the Uganda Directorate of South Africa E. P. T. Act and stated that the principle underlying both these provisions was that the loss, if any, was not to be taken into account in determining the profit of the standard period. The Committee urged that in the light of this reference, the Board should issue instructions to ascertain the standard profits with reference to the year in which there was a profit.

E. P. T. — Change in the Constitution of a Partnership on Death or Retirement.

In a communication dated 15th June, the Committee addressed the Central Board of Revenue pointing out that in the U.K. if the constitution of a partnership had to change on account of death or retirement of a partner, the continuing partners were allowed appropriate relief in respect of deficiencies arising before or after the change. It was pointd out, in this connection, that under the Indian Income-tax Act although such relief was allowed in case of death of a partner such was not allowed in case of the retirement of a partner. The Committee requested that the relief allowed

in the U.K. should also be allowed in India. The Central Board forwarded in reply their circular dated 7th July wherein it was stated that " the deficiency in one chargeable accounting period whether accruing before or after the change, may be set off against excess profits in another chargeable accounting period in so far as such deficiency was borne and such excess was enjoyed by the same partner."

The Committee in a further communication dated 15th September 1942, drew the attention of the Central Board in the above connection that the explanation of the Board did not cover the following two types of cases, viz :—(*a*) where an individual was carrying on business in which deficiencies were incurred and where the business was transferred to a partnership of which the former proprietor was one of the partners and (*b*) where the sole proprietor transferred his business to a private limited company provided there was continuity of partnership throughout. The Committee pointed out that relief in the above cases was available in the U.K. They, therefore, urged that the relief was granted in the U.K. should also be provided under the Indian Income-tax Act. The Central Board in their reply dated 26th September informed the Committee that instructions had been issued giving relief in the circumstances given in item (*a*). The Board was, however, not agreeable to consider relief in respect of item (*b*) as such a case of transfer had not yet arisen.

E. P. T. and Aggregation of the Income of Wife and Minor Child.

Under Section 16(3) of the Indian Income-tax Act, while computing the total income of any individual, the income of the wife or minor child arising out of the business of the individual wherein the wife and the child might be partners, was aggregated for the purpose of assessment of the total income of the individual. The Committee, in this connection, addressed the Central Board of Revenue on 15th June pointing out that Section 21 of the E. P. T. Act mentioning the sections of the Income-tax Act which would

apply for E. P. T. purposes, did not include the above Section 16(3). It followed, therefore, that for the purposes of the E. P. T. Act, such aggregation of the income of the wife and minor child should not be permissible. The Committee gave instances in which such income had been aggregated by E. P. T. Officers and requested the Board to issue instructions to the Department for conforming to Section 21 of the E. P. T. Act, whereunder such aggregation was not permissible. The Central Board in their reply dated 22nd July stated that the issue of aggregation did not arise in the cases, which was the subject-matter of the complaint, but that certain payments by way of interest to wife or minor child were disallowed. It was suggested that the proper course for the parties aggrieved would be to file an appeal under Section 17 of the Excess Profits Tax Act.

E. P. T. Act, Rule 5, Schedule I — Banks Loan and Capital Computation.

In a communication dated 20th March addressed to the Central Board of Revenue, the Committee referred to their previous correspondence on the subject appearing in the Annual Report of the Chamber for the year 1941 on page 347 in respect of relief in case of banks loan being treated as capital which would be available only in the case of assessees who had a standard period and which was not available to the newly started companies which had no standard. It was pointed out, in this connection, that the instructions issued by the Board granting relief to the newly started companies and treating their borrowings by means of loans as capital of the business did not meet the requirements of the situation. They stated that under the new instructions, certain businesses would not be entitled to the concession of treating the whole of the banks loan as capital who might be inclined to choose capital percentage standard. It was urged that such business should be placed in line with those who had no standard period and were entitled to entire relief regarding loans treated as capital.

Rule 5, Schedule I of the E. P. T. Act—Method of Determining Increased Capital by Borrowing.

In a communication dated 9th July 1942 addressed to the Central Board of Revenue, the Committee supported the representation of the Indian Chamber of Commerce, Calcutta, on the question of method of calculating increase of capital by borrowing under Rule 5, Schedule I of the E. P. T. Act. According to the Income-tax Department, relief under the provision in question would apply to the difference between (i) the average borrowings of the chargeable accounting period and average borrowings of the standard period or (ii) the average borrowings of the chargeable accounting period and the actual borrowings at the close of the standard period whichever was less. In the opinion of the Committee, the proper method of calculating the increase of capital was to take into account either the average amount or the amount at the close of the standard period and apply the principle uniformly to all assessees. Government, however, in their reply dated 26th July confirmed the official interpretation as correct.

Assessment of Remuneration paid to a Whole-time Director under the E. P. T. Act.

It was represented to the Committee that under the E. P. T. Act, remuneration paid to a Director of a Company in the chargeable accounting period was not allowed as a deduction if the person concerned was not in that category in the standard year. The Committee, thereupon, addressed the Central Board of Revenue on 15th September 1942, drawing their attention that in the United Kingdom under circumstances as referred to above, payments of remuneration to the whole-time Director were allowed from the profits of the chargeable accounting period although there might not have been a corresponding deduction in the standard period. A person who was a paid manager in the standard period might subsequently become the managing director during the chargeable accounting period, and in such a case, remuneration

which was deductible in the standard period came to be disallowed for the chargeable accounting period. It was urged that this anomaly should be removed. The Central Board of Revenue in their reply dated 23rd September did not agree with the suggestion of the Chamber, but agreed to remove such a difficulty in any specific case that the Committee might have before them where the rule in question worked to the detriment of the company.

E. P. T. Act—Property Destroyed or Damaged by Enemy Action or under Enemy Control.

The Committee in their communication dated 12th September 1942 addressed to the Central Board of Revenue pointed out that injustice would be caused to assessees in India whose foreign assets might have been destroyed or damaged by enemy action or were under enemy control if such assets were to be excluded for purposes of computing capital under the E. P. T. Act, as standard profits would thereby be reduced by a percentage of the amount of capital so destroyed. The Committee referred to the practice in the United Kingdom under similar circumstances, whereby relief was given to such assessees by treating foreign assets as in existence and not excluding the same in capital computation. It was urged that the relief should be granted on the lines as in U.K. in the matter of computation of capital, future deficiency relief and treatment of bad debts incurred in such foreign territories. The Central Board of Revenue in their reply dated 25th September informed the Committee that relief would be given to such assessees by treating their foreign assets as in existence and not excluding the same in capital computation. With regard to the debts in enemy occupied territories, it was stated that where a debt was proved as bad, the sum in question would be provisionally disallowed and on appeal against such disallowance, collection of tax would be postponed till the actual loss was ascertained as in the case of debts due from enemy countries or goods on enemy vessels in neutral ports.

E. P. T. Assessments and Income from Dividends.

Under Section 16 of the Indian Income-tax Act, the income from dividend has to be grossed, i.e. the actual dividend income has to be increased by amount of income-tax payable thereon. Section 21 of the E. P. T. Act, however, does not include Section 16 of the Indian Income-tax Act and, therefore, the same could not be made applicable for E. P. T. purposes. The Committee in their communication dated 1st April addressed to the Central Board of Revenue drew their attention that the department followed the procedure of grossing up income from dividends for computing the income for E. P. T. purposes. It was urged that the point should be made clear by the Board by issuing instructions in the matter. The Board in their reply dated 2nd May desired to know the specific cases in which such a procedure had been followed by the department, and the Committee furnished the information. The Board in their reply dated 31st August informed the Committee that necessary instructions had been issued to the Excess Profits Tax Officers to give the desired relief.

E. P. T. Act — Successions and Amalgamations and the Benefit of the Standard of the Predecessor.

In a communication dated 1st April addressed to the Central Board of Revenue, the Committee drew attention to the provisions in Section 8(2) of the E. P. T. Act, whereunder a successor would lose the benefit of the standard of the predecessor for purposes of the computation of standard profits if he did not give a notice within the time prescribed for the same. It was pointed out that under the English Act, however, the right could be exercised at any time before assessment was completed. The Board was requested to remove this hardship on the part of the Indian assessee and allow him to exercise the right at any time before the assessment was completed as in the case of U.K.

E. P. T. Act — Substituted Profits Standard.

The Committee addressed a communication to the Government of India on 23rd December, wherein, they supported the contention of the Millowners' Association that the scale of special profits standards viz. 4% given to some of the mills on applications made by them to the Central Board of Revenue, was too low and that the matter required reconsideration. It was also suggested that in case of such applications for special profits standard in case of other industries, the Central Board should allow relief to the extent of 8% on the capital employed, as the present scale was considered not fair. The suggestion of the Committee for giving relief upto 8%was justified inasmuch as in the case of new companies, a statutory percentage of 8 to 10% was allowed by the Act.

E. P. T. Act — Applications for Special Standard.

It was represented to the Committee that the applications submitted to the Board of Referees for increase in the standard profits upto the statutory percentage on the capital employed in the businesses with low incomes were considered under many restrictive and qualifying conditions and that the powers of the Board of Referees for granting relief in such cases were much limited in comparison to the wide powers in such instances enjoyed by the Central Board of Revenue. They thereupon addressed the Central Board of Revenue on 23rd December stating that the powers delegated to the Board of Referees for purposes of raising special standards were unduly restrictive and they should be enlarged and made co-extensive with those conferred upon the Central Board of Revenue under Section 26(1) of the Act.

War Risk Insurance of Factory Buildings, Plant and Machinery, etc.

The Committee in their telegram dated 16th January 1942 addressed to the Government of India requested that a scheme for war risk insurance should be instituted for factory buildings, plant and machinery, etc., as had been done with

regard to insurance of goods. They stated that the scheme should be for the period of the war and should be voluntary upto the value of Rs. 25,000 and compulsory over that amount. The rate of premium should be fixed in consultation with commercial interests and payable quarterly. Claims should be settled as soon as possible after the damage and in any case within one year in order to enable the factories to resume work with the least possible delay. It was also suggested that the voluntary scheme of compensation should be instituted for private chattels on the lines of the scheme in the U.K. Government in their reply dated 31st January informed the Committee that the scheme as suggested was under consideration. It was added that the proposed scheme regarding private chattels on the lines of the scheme in the U.K. was not practicable in this country.

Government's scheme was introduced subsequently and on 6th May 1942 the Committee addressed a telegram to the Government of India regarding the War Risks (Factories) Insurance Ordinance, 1942 requesting for clarification and provision of certain suggestions, chief amongst which were as follows :—Destruction of property on account of the policy of denial or scorched earth policy should be compensated to the extent of the full 100 per cent, while in all other cases such compensation should be paid to the extent of 80 per cent of the insurable value. Collection of premium should be by easy instalments. The manner and method of settling claims and paying compensation should be clearly laid down and in any case a settlement should be made within a period of not more than 6 months. The 20 per cent of premium paid as well as the amount of loss should be treated as items of expenditure for purposes of Income-tax, super-tax and Excess Profits Tax. Government in their reply dated 27th May, stated that provision had already been made in the rules for payment of premium in instalments. Regarding full payment of Insurance for destruction arising out of scorched earth policy and the method of settling claims, the reply stated that the matters were under consideration. Government was agreeable

to treat as expenditure for income-tax purposes, premiums payable for insurance.

In a further telegram dated 27th May in connection with the above Ordinance, the Committee suggested that factory insurance should not be compulsorily applicable to smaller units of the value of less than Rs. 20,000. They also pointed out that in case of a factory property where the owner was not himself the occupier, but had leased or rented the property, the Ordinance had thrown onus of insurance on such owner. In case of the owner not taking the responsibility of insuring the property, the occupier was authorised to undertake insurance and was entitled to recover the cost of the same from the owner under the Ordinance. The Committee stated that this provision was a hardship on the owner in such cases as there was no compulsory insurance for immoveable property. They urged that consideration should be given to this difficulty and relief should be accorded to such owners from their responsibility of insuring the property. It was suggested that pending clarification of such issues the date of enforcement of the scheme should be postponed by at least a fortnight. Government in their reply dated 29th May regretted that they were unable to grant the request of the Chamber.

War Risk Insurance for Coal.

The Committee in their communication dated 23rd March 1942 addressed to the Government of India requested that coal should be included within the scope of the war risk insurance scheme and that stocks of coal should be given cover against damage or loss as in the case of other goods covered by the scheme.

Seizure of Goods by Enemy and War Risk Insurance Scheme.

In a telegram dated 14th March 1942 addressed to the Government of India, the Committee suggested that the risk of loss by seizure by enemy should come within the covers issued under the scheme of war risk insurance. They urged that Government should reconsider this question and bring

seizure of goods as insurable risk under the war risk insurance scheme. Government in their reply dated 5th April informed the Committee that the cover, as desired, would be given for damage done to goods by destructive action taken by or under orders of Government in order to deny such facilities to the enemy under the War Risks Insurance Ordinance. They, however, stated that it was not possible to cover goods abandoned by owners and goods seized by the enemy, as these were matters which could be settled only after the territory lost had been re-occupied. The Committee in their reply dated 22nd April pointed out that such goods as would be abandoned by owners would necessarily be under orders or directions of Government or military authorities and, therefore, this aspect of the question required further consideration. It was also requested that the position of the goods seized under such circumstances should also be considered and cover should be granted for loss under such circumstances.

War Risks (Goods) Insurance — Penalty for Failure to Insure.

In a communication dated 8th May 1942 addressed to the Government of India the Committee referred to a case in which some of the merchants in Poona had failed to insure their goods under the War Risks (Goods) Insurance. It was pointed out that they were unaware that it was compulsory to insure goods worth more than Rs. 20,000 which fact was brought to their notice by the Special Officer connected with the War Risks (Goods) Insurance scheme. The Committee requested Government that under the circumstances penalty for not insuring the goods under the scheme might be waived and that the premium for the default period might be recovered.

Payment of War Risks Claims in India.

The Committee had addressed the Government of India regarding difficulties which were being experienced through absence of arrangements for paying war risk

claims in India as published in the report of the Committee for the year 1941. Government in their reply dated 10th March informed the Committee that if relevant documents for claims for total loss were submitted to the war risk insurance office, there would be no delay in the settlement of claims. In cases where banks might have made advances against documents, they should also lodge their claim with all the documents together with a letter of authority from the insured to the war risk insurance office. The Committee having received further complaints in this respect addressed the Government on 15th May pointing out the difficulties experienced by merchants under the present procedure of the payment of such claims only in London. Reference was made to the present uncertain communications by sea to London and it was pointed out that if the documents sent by sea route were lost during transit the parties concerned came to know of it after a long time had elapsed. This was causing considerable inconvenience to the parties claiming payment for loss of goods insured. It was suggested that the insurance companies which were authorised to issue War Risk insurance in many cases had branches in this country and it was possible to settle such claims by depositing claim papers with such branches of insurance companies which would in their turn cable to their head office the receipt of the claims papers and in due course settle such claims.

Insurance of Export Cargo and Transhipment en route.

Owing to the Insurance Companies' policies not covering export cargo beyond a period of 15 days during transhipment en route at an overseas port, difficulties were experienced by the exporters on account of their goods sometimes lying without cover en route, to destination. Having received complaints in this regard the Committee addressed the Indian Insurance Companies Association and the Bombay Fire Insurance Association on 9th February drawing their attention to cover not being given to such export cargoes beyond the prescribed limit, and referred to a notification issued by the Exchange

Banks Association under which it was required that all cargoes hypothecated to banks should be covered against transhipment without limitation of period. Thus, if cover for unlimited period was not given, difficulty would be experienced in negotiating documents with Exchange Banks resulting in great hardship to export trade. The Committee urged that steps should be taken to issue full insurance cover which would include transhipment without any limitation of period. The Bombay Underwriters' Association in their reply dated 18th February stated that it was not possible to issue full cover as such cover was not available anywhere in the world. The Committee in this connection addressed the Exchange Banks Association on 27th February drawing their attention to their notification requiring all cargo hypothecated to banks to be covered without limitation of period and to the reply received from the Bombay Underwriters' Association expressing their inability to give full cover. The Committee urged that in view of the above notification requiring full cover for goods hypothecated to banks, the matter should be reconsidered. The Exchange Banks Association in their reply dated 13th March 1942 stated that all shipments to United Kingdom under unconfirmed credits as also letters of credit must be covered against unlimited cover. Shipments for Ministry of Supply or Food need not be similarly covered. The Committee sent a copy of the above communication to the Bombay Underwriters' Association and desired to know what action they proposed to take in the light of the information contained therein.

Cawnpore Electric Supply Corporation, Ltd., and Issue of Fresh Shares.

As published in the Report of the Committee for the year 1941, the Committee had urged Government that Section 277 of the Indian Companies' Act relating to foreign companies operating in India should be amended by applying the provision of Section 105(*c*) to all companies incorporated outside British India and registered under Section 277 of the said Act. The above suggestion was made

by the Committee in view of the unjust treatment meted out by the Cawnpore Electric Supply Corporation, Ltd., to their shareholders in India by issuing fresh shares without according sufficient opportunity to the existing shareholders to apply for and acquire the same. The Government of India in their reply dated 29th December 1941 suggested that the aggrieved parties might seek a remedy by an injunction in a Court of Law with regard to the above difficulty, as they were unable to interfere in the matter under the Indian Companies Act. They, however, assured the Committee that their suggestion regarding the provisions of Section 105(*c*) being made applicable to all companies incorporated outside British India would be considered at the next general revision of the Act.

Amendment of the Town Duty Refund Rules.

As published in the Annual Report of the Chamber for the year 1941, the Committee had correspondence with the Municipal Commissioner, Bombay, in regard to the proposed amendment of the Town Duty Refund Rules, whereby the principle of "E. & O. E." would be applicable to the export notes and the *bona fide* errors and omissions in the same would be allowed to be corrected. The Municipal Commissioner in his reply dated 18th February 1942, did not agree that the principle of E. & O. E. should be made applicable to documents which required a declaration to be made as at the foot of the export note. He, however, agreed that certain kinds of errors and discrepancies would be overlooked and that no further relaxation was possible under the rules in the interest of municipal revenue. It was stated that the error would be condoned if it was found in one export note only. With regard to the fear of the Committee that with the change in the personnel of the department, the interpretations of the department's orders would also vary, the Commissioner assured the Committee that the orders issued by the department were codified and there was no likelihood of different interpretations being placed on such orders. The Committee in their reply dated 20th August

1942 stated that judicial documents such as affidavits, etc., as also documents relating to Customs drawbacks were subsequently allowed to be corrected. They, therefore, felt that the *bona fide* mistakes made in the export notes should also be subject to corrections at a future date. The Committee were of opinion that such claims should be registered only after they were found complete in all particulars and that it was not proper to reject the same because of the defective organisation and lack of machinery to record all details at the initial stage at the causeways. Suggestion was made that the notes might be allowed to be amended on payment of an amendment fee as in the case of drawbacks at the Customs Department. The Committee contended that the rejection of claims was not solely due to the negligence in preparing the export notes, as, due to the absence of subsidiary records at the causeways, the notes were left incomplete in many cases and registered without verification. It was stressed that the principle of E. & O. E. should be made applicable entirely and not in parts as was presumed from the reply of the Commissioner which stated that the error would be condoned if it was found only in one export note. The Committee urged that the attitude of the Municipality should be revised as regards the application of the principle of E. & O. E. accepted all the world over. The matter is under further correspondence.

III. TRADE, INDUSTRIAL AND LABOUR LEGISLATION.

Extension of the International Sugar Agreement, 1937.

The Director of Industries, Bombay, in his communication dated 20th December 1941 referred to the International Sugar Agreement, 1937, which was due to expire on 31st August 1942 and desired to know the views of the Committee with regard to the extension of the same either for the duration of the hostilities or for a period of two years from 31st August 1942. The Committee in their reply dated 23rd December 1941 reiterated their previous views on the question as expressed by the President of the Chamber in his speech at the Third Quarterly General Meeting of the Chamber in 1937 which were opposed to the arrangement under the Agreement.

Repeal of the Sugar Industry Protection Act, 1932.

The Government of Bombay along with their communication dated 18th June 1942 forwarded to the Committee a copy of the Government resolution regarding the repeal of the Sugar Industry Protection Act, 1932, and desired to have the views of the Committee on the same. The Committee in their reply dated 6th July 1942 stated that they were strongly opposed to the Bill to repeal the Sugar Industry Protection Act and that, in their opinion, the same was reactionary and retrograde and that if it were passed, the same would result in great hardship to the Sugar Industry. While recounting the history of the establishment of the Sugar Industry in India, the Committee reminded Government that but for the protection granted to the Sugar Industry, the industry would not have been able to be in the position in which it was today. It was contended that if the protection was taken away, dumping of foreign sugar would be resorted to on a large scale after the war.

International Tea Control Scheme.

The Government of Bombay in their letter dated 28th August 1942, referred to the question of the continuation of the International Tea Control Scheme after 31st March 1943 and desired the views of the Committee regarding the same. The Committee in their reply dated 9th September informed Government that they were opposed to the continuation of the scheme.

Banking Legislation.

As published in the Report of the Committee for the year 1941, the Committee, in connection with their correspondence with the Government of India in respect of the definition of "Bank," occurring in the Indian Companies' Act, had desired to know from Government when the draft proposals for a consolidated Banking Act would be taken up for consideration. Government in their reply dated 23rd December 1941 informed the Committee that the consideration of the said proposal was for the present postponed.

Section 64 of the Trade Marks Act.

The Federation of Indian Chambers of Commerce and Industry had invited the views of the Committee on a proposal to amend Section 64 of the Indian Trade Marks Act, with a view to providing that the provisions and rules regarding registration of letters or numerals shall apply equally to such textile goods as towels, dusters, handkerchiefs, etc. The use of the term Piecegoods in the Section led to the doubt whether these items would be covered as they were not being sold by the piece. The amendment was, therefore, in the nature of a clarification. The Committee approved of the amendment.

Draft Trade Marks Rules.

In response to the Government Notification publishing draft of certain rules to be framed under the Trade Marks

Act, the Committee submitted their views to the Government of India on 2nd April as follows :—

Scale of Fees : The rate of maximum fees prescribed for applications for registered trade marks, viz. Rs. 10 was considered high. It was, therefore, suggested that the rate of fees for applications should not in any case be more than Rs. 5.

Trade Marks Journal : If the main Journal was to be published from Calcutta, it was suggested that a separate Journal for Textile Trade Marks should also be published in Bombay.

Rules 119 & 129 : It was suggested that the Advisory Committee should be free to manage their own affairs without interference from the Registrar and the Registrar should only be concerned with receiving the considered views of the Advisory Committee on matters or points that may be referred to them.

Advisory Committee under the Trade Marks Rules.

The Committee nominated Mr. M. C. Ghia, Esq., M.L.A, as their representative on the Advisory Committee under the Trade Marks Rules.

Indication of the Country of Origin — Merchandise Marks Act.

The Committee in their communication dated 13th October addressed to the Government of India referred to their previous correspondence on the subject and drew their attention to the practice of British or Foreign Companies having their factories in India giving their foreign addresses on goods manufactured in India, thereby creating a misunderstanding in the public mind that the goods in question were manufactured in foreign countries. The Committee, in this connection, urged that in such cases, a clear counter indication of the country of origin should be made available for the guidance of the consuming public. The Committee also gave

instances and supplied matter, wherein a misleading indication had been given regarding the country of origin and requested that such practices should not be upheld under law.

Transfer of Property Act—Assignability of Marine Insurance Policies.

The Committee received a communication from the Government of India through the Government of Bombay regarding the suggestion made by the Associated Chambers of Commerce for the amendment of the Transfer of Property Act so as to incorporate provisions in the said Act on the lines of Sections 50 and 79 of the Marine Insurance Act, 1906 (English Act) with a view firstly to Marine Insurance Policies being made assignable and secondly to confirm the right of subrogation on insurers in respect of Marine Insurance Policies under certain circumstances. Government in their forwarding letter had themselves approved of the first suggestion. Regarding the second suggestion, they observed that no case had been made out for the same. The Committee in their reply dated 2nd April approved of both the suggestions. They also desired to know the reasons for considering the second suggestion as unnecessary.

Holidays with Pay.

The Commissioner of Labour, Bombay, along with his communication dated 19th May 1942, forwarded a copy of the Draft Bill prepared by the Government of India on the subject of Holidays with Pay and desired the views of the Committee on the same. The Bill suggested that workers in non-seasonal factories should be entitled to a minimum number of 7 paid holidays running continuously.

The Committee in their reply dated 6th July, informed Government that under the state of emergency existing at present, it was not advisable to bring any such measure which would affect the working conditions of the labourers. They also objected to such piece-meal labour legislation, which

would handicap the employers who had to carry out the provisions of such legislation as they would have no idea of the collective burden they would have to bear ultimately. The Committee was opposed to make statutory provision for paid holidays and reiterated their views on the question as expressed in the years 1935 and 1937. They also referred to the opposition of the Government of India to such a provision in the year 1937 when the International Convention on this subject was under discussion.

Amendment of the Workmen's Compensation Act.

In a communication dated 1st August addressed to the Commissioner of Labour, Bombay, the Committee sent their views on the Central Government's proposal to amend the Workmen's Compensation Act. In the opinion of the Committee the amendment to Section 8 would involve substantial additional payments by the employers in certain circumstances as the amendment sought to introduce a proviso whereby the dependents of a deceased worker would be entitled to receive not less than 2/3rds of the amount prescribed as compensation for death irrespective of the payments which the worker might himself have received when he was alive. The Committee agreed to a modification of the existing provision of the Act whereby the compensation payable to the dependents in the event of death of the worker should be limited to Rs. 300 or the difference between the amount payable for death under the Act and the amount actually paid to the worker during his lifetime whichever was higher.

Provident Fund for Industrial Workers.

In the letter dated 1st April 1942 the Commissioner of Labour, Bombay, desired the views of the Committee on the subject of Provident Fund for Industrial workers regarding which an extract from a letter from the Government of India to the Provincial Government setting out the views expressed at the third Conference of the Labour Ministers was also enclosed. The Committee in their reply dated 12th May,

stated that the present conditions were not suitable for consideration of such social legislation as the proposal for Provident Fund for industrial workers and that the consideration of the same should be postponed till after the war. In the opinion of the Committee such piecemeal proposals for labour reform would lead to confusion unless they were discussed in their entirety bringing in all aspects of such legislation on an All-India basis including Indian States. The Committee feared that any lack of uniformity in labour standards would result in unequal competition which was not desirable. They also emphasised that all such measures on which decisions might be taken should be applicable to labour employed by Government, both Central and Provincial as also those employed by quasi-Government undertakings. They further pointed out that the experience of mills in Bombay with regard to implementation of such schemes was not encouraging as the workers were not found very enthusiastic in giving their share of contributions to such funds. Besides owing to war a part of the permanent labour employed in the textile industry in Bombay had migrated to the interior and their place was taken by other new workers. This was bound to create a situation whereunder the success of such a scheme was doubtful.

Recognition of Trade Unions.

The Commissioner of Labour, Bombay, along with his communication dated 16th April 1942 addressed to the Committee sent a copy of the Government of India's letter on the subject of recognition of Trade Unions and requested the Committee to give their views thereon. The Committee in their reply dated 19th May suggested that the consideration of such social legislation which concerned the welfare of labour and the relations between the employers and the employees might be postponed till after the war. The Committee were of opinion that the object of Government would not be served by enforcing recognition by law as was envisaged in the proposals. It was, however, stated that if Government were bent upon considering the proposals now the following sugges-

tions of the Committee should be incorporated in the draft rule : (*a*) The minimum membership of workers from the industry or factory so concerned should be 60% of the total number in each such industry or factory as against 30% proposed. (*b*) At least 2/3rds of the Executive of the Union should be actually workers employed in the industry. (*c*) The Union should have been in existence at least for one year and not for six months as proposed. (*d*) The penalty for failure to reply to a communication of a recognised Union which was Rs. 500 as fixed in the proposal was considered high. It was suggested that the first default should carry only a warning and the subsequent defaults should be dealt with by a token penalty.

Amendment to the Trade Disputes Act.

The Committee addressed on 1st August 1942 the Commissioner of Labour, Bombay, giving their views on the proposed amendment of the Trade Disputes Act. Under Section 15 of the existing Act sudden strikes and lock-outs without notice in utility services were illegal. The proposed Amendment sought to extend this provision to all other industries and businesses which might be notified by Government. The other amendment required the employers and the employees to maintain the *Status quo* during conciliation proceedings in respect of strikes and lock-outs. The Committee informed the Commissioner of Labour that so far as Bombay was concerned, the proposed provisions were contained in the Bombay Industrial Disputes Act. They had, therefore, no objection to the all-India application of the provisions of the amendment.

With regard to the power of Government to notify a business to which the provisions relating to sudden strikes and lock-outs would also apply, the Committee desired information as to the circumstances under which it would be considered necessary to include a business as distinguished from industries. They also desired to have details as to the types of businesses Government had in view to which the provisions of Section 15 as proposed to be amended would apply.

Draft Mines Maternity Benefit Rules.

In reply to the letter from the Commissioner of Labour forwarding a copy of the Labour Notification regarding Mines Maternity Benefit Draft Rules, the Committee in their communication dated 20th May stated that the Draft Rules in question had their general approval. It was, however, desired that Government should make it clear that the scheme of benefit under the Act applied to women surface workers in mines and at present there were no women employed in underground work in mines according to the Government prohibition against underground employment of women since 1937.

Conciliation Board (Industrial Disputes Act).

The Committee recommended the name of Mr. M. M. Amersey for being included in the Panel of employers under Rule 24 of the Industrial Disputes Act in the vacancy caused by the retirement of Sir Chunilal B. Mehta.

Bombay Weights and Measures Act, 1932 — Exemptions under Section 46.

The Government of Bombay along with their letter dated 16th September forwarded a copy of the draft notification exempting weighing instruments used for purposes other than trade, i.e. instruments used for inter-departmental purposes and desired the views of the Committee thereon. It will be recalled, in this connection, that the Committee had addressed a detailed representation to the Government of Bombay regarding exemption of weights and measures used in various industrial and commercial establishments for purposes other than trade as published in the Annual Report of the Chamber for the year 1941. As the difficulties represented therein were duly considered in the draft notification under reference, the Committee in their reply dated 23rd September agreed to the proposal for exemption of inter-departmental weights and measures under Section 46 of the Bombay Weights and Measures Act.

Extension of Rent Restriction Order to Business Premises.

The Government of Bombay in their letter dated 8th May 1942 referred to the Bombay Rent Restriction Order, 1942 and desired the views of the Committee regarding the proposed amendment of the Order to include premises occupied for business purposes. The Committee in their reply dated 21st May 1942 stated that they were opposed to any general restriction against increase in rents for business premises particularly godowns. They, however, stated that if Government found that the increases in certain localities were exhorbitant, the restriction might be applied in such localities. If ultimately Government decided to put restrictions on the raising of rents for business premises, the Committee suggested that the restrictions should not be based on the level of rents prevailing before the war.

Revision of Cotton Hedge Contracts.

The Committee deputed Mr. J. C. Setalvad, President and Mr. Haridas Madhavdas, Vice-President, to attend an informal Conference convened by the Government of Bombay to discuss the question of the revision of the cotton Hedge Contracts.

Report of the Hedge Contract Committee.

The East India Cotton Association, Ltd., forwarded to the Committee a copy of the report of their Hedge Contract Sub-Committee and desired the views of the Committee of the Chamber on the same. The report made recommendations for devising a new Hedge Contract which would have only staple cotton tenderable against it as against the old Hedge Contract whereunder short and fair staple cotton was tenderable. The recommendations suggested that the new Hedge Contract would be in force only for the period of the war. The Committee in their reply dated 13th May 1942 gave their views on the report particularly regarding paragraphs 8 and 9 of the report concerning fixing of differences and "on"

allowances and spot rates fixed by the Daily Rates Committee.

Bill to Amend the Cotton Ginning and Pressing Factories Act, 1925.

On 23rd October the Committee addressed the Government of Bombay giving their views on the bill to amend the Cotton, Ginning and Pressing Factories Act, 1925. The principal object of the Bill was to control the rates charged by ginning and pressing factories and it was proposed to establish Rate Fixing Committees in the local areas with powers to fix maxima rates for ginning and pressing. While the Committee were in general agreement with the principle underlying the Bill, they emphasised that the interests of factory owners also should be protected as they were experiencing difficulties in obtaining essential materials needed in the process of ginning and pressing. It was suggested, therefore, that the Act should provide for a machinery of appeal against the rates fixed by the Committees which would safeguard the interests of the factory owners. It was also emphasised that such control should extend to all the provinces and especially to Indian States as otherwise the ginning factories might be tempted to transfer their activities to adjacent State territories. In the opinion of the Committee it was necessary that Government should give assistance to factory owners in securing essential supplies of materials at economic rates as the prices of articles such as steel baling hoops, crude oil, etc., had shot up considerably.

Draft Molasses Bill.

The Committee in their communication dated 28th March 1942 referred to the Government Notification regarding the Draft Molasses Bill to provide for the control of the possession of molasses and gave their views on the same. The main object of this Bill was to prevent the utilisation of molasses for the manufacture of illicit liquor with which the Committee were in agreement. It was, however, pointed out that the Sugar

Factories which had on their hands daily disposal of molasses should not come under the provisions of this Bill and that they should be allowed to sell their molasses to licensed purchasers without restriction. The Committee invited the attention of Government to their previous suggestions in this regard for devising ways and means for increased use of this product for other purposes and regretted that Government had ignored such useful suggestions. The Committee reiterated their previous suggestion that Government should take early steps to utilise this by-product of the sugar industry in the manufacture of power alcohol, rectified spirit, essential chemicals, etc.

Bill to Regulate the Manufacture of Power Alcohol.

On 13th October 1942 the Committee submitted their views to the Government of Bombay regarding the Bill to provide for regulating the manufacture of power alcohol. The main purpose of the Bill was to conserve the supply of petrol for defence requirements. The Committee objected to some of the provisions of the Bill as the same were incorporated to regulate the manufacture and supply of petrol during the war time only. It was urged that such legislation should be conceived on a permanent footing and that even after the war ended, assistance to the power alcohol industry should continue in view of the previous announcements of the Commerce Member, Sir A. Ramaswamy Mudaliar, to the effect that the industries developed during the war would not be left high and dry after the war. In the opinion of the Committee, clause 5 required to be deleted, as there was no necessity for issuing licences to the manufacturers prescribing conditions in respect of quantities and the period within which power alcohol was to be manufactured. Objection was also taken to clause 7, which empowered Government to be the sole purchaser of power alcohol manufactured in the province. It was suggested that the prices should be fixed by Government in consultation with the manufacturers. It was stated that the rules under the Act should be framed in

consultation with the interests and public bodies like Chambers of Commerce. Clause 27 provides that the requirement of compulsory admixture should not be applied to the use of petrol for military purposes. It was suggested that this exemption should apply only during the period of the war and that after the war, the provision should apply generally.

Punjab Sales Tax.

In a telegram dated the 2nd February 1942 addressed to the Government of the Punjab, the Committee drew attention to the disturbed conditions in the Punjab due to the continuance of hartal as a result of the opposition to the Punjab Sales Tax and urged that an early settlement on the question should be brought about in the interests of trade as inter-provincial trade would suffer if the situation was allowed to continue. The Committee also sent a telegram to H. E. the Viceroy on 25th February urging his intercession to bring to an end the trade hartal in the Punjab and suggested to His Excellency to depute the Hon'ble Sir A. Ramaswami Mudaliar, the Commerce Member of the Government of India to the Punjab to conciliate the differences between the Ministry and the traders.

IV. GENERAL TRADE AND INDUSTRY

Interview with the Hon'ble the Commerce Member.

The Committee met the Hon'ble Mr. N. R. Sarker, Commerce Member, Government of India, on Tuesday the 8th December 1942 when the following questions were discussed : Food Supplies ; The United Kingdom Commercial Corporation ; Proposed monopoly for the importation of piecegoods into East Africa ; Non-acceptance of policies of Indian Insurance Companies ; Refusal of foreign shipping companies to recognise Measurement Certificates issued by the Indian Merchants' Chamber ; Registration of Trade Marks (non-textiles) in Bombay ; Shipping cables and scheme for "Assisted Messages" ; Appointment of a non-Indian as Assistant Shipping Adviser ; Anglo-American Shipping Technical Mission on Ports and conditions ; Import duty on raw materials and component parts ; Progress of the work of the Reconstruction Committees and Industrialisation ; and Import control of dyes—share of past imports from Japan, etc.

Interview with Mr. N. R. Pillai, C.I.E., O.B.E., I.C.S., Additional Secretary, Commerce Department, Government of India.

The Committee had in Interview on the 27th April 1942 with Mr. N. R. Pillai, C.I.E., O.B.E., I.C.S., Additional Secretary, Commerce Department, Government of India, when the following questions were discussed :—United Kingdom Commercial Corporation ; Export Restrictions on Cotton Manufacture ; Export Control on Yarn ; Freight Position for Export of Oils ; Export Licences for Containers. ; Difficulties of the Indian Shipping Industry ; Claims of Indian Merchants against the Governments of Burma, Malaya, etc.

Interview with the Wheat Commissioner.

On 21st April 1942 the Committee had an interview with Mr. Y. N. Sukthankar, C.I.E., I.C.S., Wheat Commissioner,

when the situation regarding the existing shortage of wheat in Bombay was discussed and suggestions had been made to meet the situation.

Interview with the Sugar Controller.

The Committee had an interview with Mr. N. C. Mehta, I.C.S., Sugar Controller, Government of India, on 9th October 1942 when the working of the sugar control and arrangement made thereunder for supplying sugar to various parts of the country in general and the Bombay City and Presidency in particular were discussed.

American Technical Mission.

In a communication dated 27th March 1942 addressed to the Government of India, the Committee referred to the coming of an American Technical Mission to India to develop Indian industrial resources and to supplement the present production of India by getting supplies of machinery and materials from the United States of America, or by putting up more factories here. The Committee, in this connection, stated that they had no objection against the proposed activity of the American Technical Mission in assisting war production, of procuring munitions and equipment as a part of their war effort. They, however, pointed out that if the activities of this mission were to result in the creation of American vested interests in this country by allowing American private capital to be invested in establishing Indian industries, they would not welcome the entry of such an enterprise, as the country had the bitter experience of the similar Roger Mission, which functioned for no benefit of the country. It was urged that in the interests of industries and national defence, India should have her industries controlled and managed by Indians and that the American Technical Mission should not in any way come in conflict with the national development of industries.

Government in their reply dated 14th April informed the Committee that the activities of the Mission would be

solely directed towards the improvement of India's war production and there was no question of conflict with the general industrial development of India. Assurance was given by Government that there was no possibility of any large industries in India being financed by American capital. The Committee in their reply dated 23rd April suggested that it was necessary to associate with the Mission, representatives of the Indian commercial and industrial community and in particular, representatives nominated by the Federation of Indian Chambers of Commerce and Industry with a view to inspire confidence in the public about the scope of work of the Mission in this country. It was added that such non-official representatives should have an effective voice in the formulation of plans arising out of the discussions with the Mission.

The Government of India, Department of Supply, in their reply dated 28th April 1942 stated that it was not practicable to accept the suggestion of the Chamber as it was upto the Mission to recommend to the American Government to give India such help as would enable her to expand her war efforts and that under the circumstances, the Indian representatives would not be in a position to render any assistance as envisaged by the Chamber. It was added that the Mission was interviewing leading representatives of Indian commerce during the course of their investigations thereby acquainting themselves with the necessary information which would enable them to make recommendations to their Government. The Committee, however, in a further representation dated 9th May informed Government that the active association of Indian commercial interests with the American Technical Mission was essential for the due fulfilment of the object in view. The Committee emphasised that before the recommendations of the Mission were finalised and submitted to the American Government Indian industrial interests should be consulted and that no action should be taken before the Indian interests had expressed their views thereon.

Further, in this connection, the Committee in a telegram dated 11th June addressed to the Government of India drew

attention to the press summary report of the American Technical Mission and desired to have a full publication of the report excluding information involving military secrets. It was suggested that before Government formulated their decision on the report, opportunity should be given to Indian Commercial Interests to express their opinion on the same. They desired to know if any agreement between the Government of India and the U.S.A. had been made in regard to lease-lend arrangements. If so, such should be published. They requested for information regarding the agreement entered into by the U.K. and U.S.A. relating to post-war trade relations as part of lease-lend arrangements. They also desired to know whether India was covered under the Anglo-American Agreement. Government in their reply informed the Committee that the report of the Mission was being treated as confidential in accordance with the wishes of the Mission but a summary of the recommendations was published for general information. They added that no agreement had been entered into between India and the U.S.A.

Post-War Reconstruction.

The Government of Bombay in their communication dated 4th March 1942 referred to the question of post-war reconstruction which was engaging the attention of the Government of India and requested to have the views of the Committee regarding the advisability of considering this matter at this stage. The Committee in their reply dated 19th June suggested the appointment of a Committee by the Government of Bombay, which would consider the suggestions and recommendations placed before the four Reconstruction Committees appointed by the Government of India. It was suggested that such a Committee should have a non-official majority representing commercial and industrial interests. The Committee were of opinion that the work of such a Committee should not be restricted but should be broadbased with a view to have a synthesis of all the questions from the point of view of the province.

Post-War Reconstruction Conference.

Mr. J. C. Setalvad, President, was nominated by the Committee to attend the Conference convened by the Government of Bombay to discuss matters connected with post-war reconstruction.

Non-acceptance of Policies of Indian Insurance Companies.

The Committee addressed a letter, on 26th November, to the Exchange Banks' Association in regard to the complaint recently received about the non-acceptance of policies issued by Indian Insurance Companies. It would appear that the British Bankers' Association had recently ruled that bank credits which called for insurance with British companies meant only insurance with companies whose head offices were domiciled within the United Kingdom. Consequently, the Exchange Banks were insisting on insurance with companies registered in U.K., while negotiating bills which were covered by such restricted instructions. The Committee pointed out that although the use of the term British Company for such instructions was common since several years past, it was deemed to cover Indian Insurance companies also. There was, therefore, no justification to exclude Indian policies on that ground at this juncture. They requested that the Exchange Banks should take up the matter with the London authorities with a view to the restriction being removed. The matter is under further correspondence.

Monopoly for Importation of Cotton Piecegoods into East Africa.

Attention of the Committee was drawn to a proposal of the East African Government to form a corporation known as Utility Textiles Importing Corporation to be given the monopoly of importing from India textile goods popularly in use in that country. The membership of the Corporation was to be confined to previous importers with prescribed shares and others approved by the East African Government. It was further provided that the Corporation would be allowed

to import only specified and standardised varieties. The Committee sent a telegram to the Government of India on 26th November, expressing their grave concern at the move. They were opposed, in principle, to any such system of monopoly, as the same would prejudicially affect *bona fide* trade and producing interests. The step would also have serious reactions on Indian cotton producer and the textile manufacturer. Further they pointed out that there was no justification to put such fetters round existing trade channels, which had been built up after years of pioneer efforts. Government were requested to represent the matter to the East African authorities, with a view to the proposal being abandoned.

Welfare Measures for the Benefit of Labour.

Arising out of the suggestions contained in a letter from the Commissioner of Labour, Bombay, regarding welfare measures for the benefit of labour during the present times, the Committee on 2nd September addressed the Commissioner of Labour regarding facilities for remitting allowances to families. It was recommended in the letter under reference that the employers should arrange for remittances by money order at their expense. It was suggested, in this connection, that Government themselves should make arrangements with the Postal Authorities for the transmission of such remittances free of cost.

Remittances from Madagascar.

It was represented to the Committee that after the fall of France, communications and money transactions between India and Madagascar were stopped. Mail communications were, however, resumed after the British occupation of the place ; but money remittances from Madagascar were not allowed. The Committee thereupon addressed the Government of India on 29th July requesting that such remittances from Madagascar should be made now possible as otherwise families resident in India of persons residing in Madagascar would be put to great hardships. Government in reply informed the Committee that the matter was under examination.

Representation of Retailers on the Consultative Committee for Price Control.

In their communication dated 10th June addressed to the Government of Bombay, the Committee suggested that a seat should be found for the Bombay Grain Dealers' Association on the Consultative Committee regarding price control to represent the interests of the retailers. It was stated that the Association was much concerned with the question of price control and justifiably they should be on the Consultative Committee. Government in their reply dated 25th June informed the Committee that the members on the Consultative Committee were not selected to represent Trade Associations. They, therefore, did not agree to have a representative of the Association on the Consultative Committee. In reply dated 9th July the Committee stated that on going through the list of members on the Consultative Committee, it was found that there were many persons directly engaged in wholesale trade, while there was nobody to represent the interests of the retailers. It was urged that, under the circumstances, a seat on the Committee should be found for the retailers interests. In a further communication dated 24th July 1942 addressed to the Government of Bombay, the Committee emphasised the necessity of including a retailers' representative on the Consultative Committee for price control as the retail trade played an important part in the distribution of foodstuffs, etc. It was added that in the matter of a control over daily necessities of the public the advice of a retailers' representative was very necessary and that Government should reconsider their decision in the matter. The Government in reply informed the Committee that they were unable to agree to the suggestion.

Scarcity in Articles of Foodstuffs.

In a letter addressed to the Government of Bombay dated 27th August 1942, the Committee drew attention to the question of supplies of rice and jowar, which were found to be inadequate to meet the general requirements of the public.

The Committee were aware that large stocks were awaiting transport at the producing centres and it was the duty of Government to provide adequate number of wagons to bring such stocks into the city. Hardships to the public resulting from the defective control and distribution of foodstuffs were referred to and immediate action was urged regarding the consumers and retailers getting their proper supplies. Building up of reserve stocks in Bombay for use in emergency was necessary and consumers should be enabled to obtain their supplies through normal channels of trade. It was urged that the wholesale and retail trades should be allowed to function effectively and the control system should be modified in consultation with trade interests. It was upto the Central Government to provide transport facilities by steamers which would greatly relieve the situation. With a view to solve the difficult problem of priorities for merchants in obtaining wagons, it was suggested that the goods might be consigned to the Director of Civil Supplies, who would endorse the railway receipts in favour of the merchants. This would enable Government to have a proper control, at the same time, allowing trade to follow in normal channels. It should be made obligatory on the wholesalers to tender the necessary supplies to the retailers on production of permits which Government have now been issuing to the retailers. It was obvious that the Government grain shops opened in the city were few in number and they should be used in supplementing the system of distribution. It was urged that more Government grain shops should be opened by Government to attain this object. The Committee hoped that their suggestions regarding distribution would be favourably considered, as otherwise the morale of the public would break under the present system of ill distribution. A reply was received from the Director of Civil Supplies dated 9th September 1942 detailing the supply position regarding rice.

Export of Rice to Ceylon.

In a telegram dated 12th September, the Committee referred to the export of rice to Ceylon and stated that while

normally they had no objection to essential foodstuffs being supplied to India's neighbours, the serious situation with regard to the scarcity of foodstuffs in India should be considered by Government. It was urged that Government before sanctioning such exports should assure themselves that enough foodstuffs were available to the people in the country.

In a further telegram sent on 27th October, the Committee urged the complete stoppage of exports, in view of the deterioration in the internal supply position.

Shortage of Wheat in Bombay.

The Committee in their communication dated 14th April 1942 addressed to the Government of Bombay drew attention to the serious situation with regard to the shortage of wheat prevailing in Bombay. The situation was causing uneasiness both to the dealers in wheat and to the consumers, as the existing stocks were extremely low and there was little prospect for replenishing them if the situation was allowed to develop. The Bombay Presidency produced only a limited quantity of wheat and for the rest of the requirements it had to depend on other provinces. The position had become serious on account of the ban imposed by the other provinces on export of wheat except under permits issued by the Governments of such provinces. The Committee referred to the decision of Government to regulate the movement of wheat from 1st May 1942 and requested that the new arrangement should provide for adequate supplies of wheat for Bombay. Government were asked to allot an adequate number of wagons for the transport of supplies from the producing centres to Bombay. The Committee referred to the existing disparity in the margin for the retail traders of wheat allowed under the maximum prices and pointed out that incidental expenses in case of retail trade should be considered. It was suggested that in view of the emergency, Government should lay by stocks on their own account. The Government of Bombay in their reply dated 27th April informed the Committee that steps were being taken to relieve the shortage of wheat and that the Wheat Commissioner for India had been already

informed about the position with regard to Bombay. It was stated that special arrangements for priority for wagons to bring in wheat had been made. With regard to the retail margin now allowed under the maximum prices fixed by Government, the reply stated that the Consumers Committee had approved of the same and assurance was given that steps would be taken to build up stocks of wheat in Bombay. The Committee in their reply dated 27th May referred to the representation of the Bombay Grain Dealers Association to Government regarding the retail trade margin allowed by Government and supported the plea of the Association that the retail price of as. 8 per maund fixed by Government was too low and suggested that the price allowed to them should be increased to as. 12 per maund, in view of the incidental and overhead expenses which the retail dealers had to incur.

Supplies of Wheat for Milling.

The Committee received representations from the Maharani Flour Mills and the Balaji Flour Mills, Bombay, complaining that they were unable to get supplies of wheat for running their flour mills. The Committee thereupon addressed the Government of Bombay drawing their attention to the difficulties experienced by millers in general in obtaining the necessary quantity of wheat and urged that Government should provide for such supplies from their own stocks and that they should consider the question of making special arrangements to supply such stocks in future to the millers. In the opinion of the Committee the continuance of milling industry was a public need as the necessities of the public were being supplied by such millers.

Supply of Sugar.

On 11th September 1942 the Committee addressed the Government of Bombay regarding the serious situation prevailing with regard to the supply of sugar. The limited stocks of sugar in the City gave rise to a feeling of apprehension that attention was not being paid to the proper distribution

of sugar and the supply of the same even though large stocks existed in the up-country and which awaited transhipment. The Committee referred to a lathi charge administered to the great crowds of dealers for getting sugar as against their permits and pointed out that such a state of things in a city like Bombay was undesirable. It was stated that the supply position of the City with regard to the foodstuffs and other things had so much deteriorated that vital necessities of life like rice, wheat, millet, sugar, charcoal, kerosene, etc., were not available to the public in reasonable quantities. It was also difficult for the public to change over to a different diet, which had been suggested by Government to obviate the present difficulties. In view of the vitalising properties contained in it, the poor and the middle classes had a right to secure the same in reasonable quantities. The Committee were given to understand that on 1st August 1942, 78 lakhs maunds of sugar stocks were in U.P. and Bihar and there would be a surplus stock to carry over for the next season. Inadequate facilities for transport, however, were responsible for the deficiency in a city like Bombay, where sugar was urgently needed. The Committee, in this connection, suggested that only full wagon loads should be allowed to be moved, thereby making best use of space otherwise wasted. It was also suggested that motor transport should be made available for the movement of goods. It was admitted in the interests of the public that control of sugar was necessary; but, then it was also emphasised that in the administration of such control, non-official businessmen should also be associated. It was specifically pointed out that if supplies were to reach the masses, sufficient stocks of sugar should be made available to the retail dealers.

Re-export of Stocks of Foreign Sugar.

The Committee in their letter dated 27th May addressed to the Government of India supported the representation of the Sugar Merchants' Association made to Government requesting the grant of permission and facilities for the re-export of stocks of imported sugar lying in Bombay. It was

stated that such sugar was not saleable in Bombay, as the price of the same was considerably higher than that obtaining for Indian sugar. The request of the Sugar Merchants' Association was reasonable as the stocks now collected in Bombay could not find steamer facilities for exportation abroad. Further, if their request was not granted immediately, the merchants would be debarred from claiming refund of town duty paid by them, as such claims could be recovered within 6 months, after the expiry of which, their claims would be forfeited. Government in their reply dated 11th June 1942 regretted that it was not possible for them to give the required facility. It was, however, stated that the question of giving assistance to stockists of Java sugar in the disposal of their stocks was under consideration. The Committee in their reply dated 17th June desired to have information regarding the details of the proposed assistance to stockists of Java sugar.

Supplies of Groundnut and Groundnut Oil.

In a communication dated 15th July addressed to the Government of Bombay the Committee communicated their views on the question of supply of groundnuts and groundnut oil in Bombay as desired by Government, a brief summary of which is as follows :—(*a*) The stocks of groundnuts and groundnut oil in Bombay being inadequate to meet the requirements of the city, transport facilities should be provided to bring groundnuts and groundnut oil from outside stations to replenish such stocks. (*b*) Groundnuts and groundnut oil were now being used extensively as foodstuffs and therefore should be listed as essential foodstuffs and priority should be given for the transport of the same.

Prices and Distribution of Kerosene.

In a letter addressed to the Government of Bombay dated the 13th July, the Committee referred to the Government notification dated the 8th July, 1942, regarding prices and distribution of kerosene and suggested that the supply of the same to one individual at one time should be upto one

gallon and not quarter of a gallon as prescribed in the notification. This was necessary in view of the several controls placed on many prime necessities of life which the public had to obtain at great hardship and loss of time. Objection was taken to the procedure prescribed by giving memos by retail dealers as the same was not practicable. A suggestion was made that the tanks going about in the city should have stencilled on them the price for kerosene and that the retail dealers should have boards with bold printed letters giving the controlled prices.

Plans for Rationing.

In a letter dated 30th September 1942 the Government of Bombay referred to the difficulties experienced in the matter of getting certain articles of foodstuffs and pointed out that if there was shortage of any essential commodity in a city like Bombay, fairness of distribution could only be secured by allocation of the available supplies among those who needed them under a system of rationing. They, therefore, asked the views of the Committee firstly on the question of the desirability of introducing a system of individual rationing and secondly whether as a precautionary measure preliminary arrangements and preparations for rationing could be undertaken without upsetting the public morale. The Committee in their letter dated 16th November expressed themselves against any system of rationing on principle. They emphasised that what was required to meet the difficulty was efforts to augment the supply position of foodstuffs in the City and the Presidency. They added that Government might, if they considered it necessary, go ahead with the necessary preparations such as taking the census of the population, etc. Government in a further letter dated 30th November informed the Committee that it was not proposed to introduce rationing unless it was absoutely necessary and that at present it was only intended to undertake the preparatory work in connection with the scheme of general rationing with a view to its introduction if and when needed.

Food Supply Problem.

A reference has been made in the earlier paragraphs to the action taken by the Committee from time to time in the matter of difficulties connected with the supply of foodstuffs and other articles of necessity to the citizens of Bombay. The position, however, continued to deteriorate and particularly towards the end of the year the problem became more serious. The Committee had a detailed discussion on the subject with the Hon'ble Mr. N. R. Sarker, Commerce Member of the Government of India when he met them on 8th December 1942. They urged on his attention the seriousness of the position and emphasised that if immediate action was not taken there was the danger of developments leading to civil unrest. In particular they stressed the extreme importance of immediate stoppage of export of foodstuffs as also of efforts to rush supplies of wheat particularly from Australia or Canada. The Commerce Member assured the Committee that he was alive to the problem and informed them that he was making efforts to relieve the situation. As the position continued to deteriorate the Committee sent a telegram on 22nd December 1942 to H. E. the Viceroy drawing his attention to the critical situation which faced the country. They regretted that this development should have occurred particularly at a time when the cereal crops were being marketed. They pleaded for immediate arrangements to import at least two lakhs of tons of wheat from Australia and elsewhere to meet the emergency. The excuse or objection of scarcity of shipping freight should not stand in the way of any such arrangement as in their opinion supply of foodstuffs to meet the emergency was as much entitled to shipping priority as military or war supplies.

The Committee also sent another telegram to the Commerce Department reiterating their demand for the complete stoppage of export of all foodstuffs and other daily necessities of life.

Food Advisory Council.

The Government of Bombay constituted in November 1942 a Food Advisory Council consisting of about 30 members to advise Government on matters relating to supplies of foodstuffs for the city, distribution thereof, control of movement and prices and steps for preventing profiteering. The Chamber was allotted a seat on the Council and the Committee nominated Mr. J. C. Setalvad, President, as their representative. Mr. Setalvad was also appointed a member of the Standing Committee of the Food Council which was concerned with the day to day examination of questions relating to the food supply problem.

Coal Supply to Sugar Factories.

In a communication addressed to the Director of Civil Supplies, Bombay, dated 1st August 1942 the Committee referred to the difficulties of a member firm, Messrs. Marsland Price & Co., Ltd., whose sugar factory had run short of stock of coal due to wagon shortage. The Committee pointed out in this connection that the sugar factories operated during the cane harvest season during which period the factories worked for 24 hours. They, therefore, contended that if such factories ran short of coal not only the harvested canes would not be crushed but the whole work of the factory would come to a standstill, as was not the case with textile mills which worked during the whole year. In view of this peculiar difficulty of the industry the Committee suggested that at least two or three months stock of coal should be allowed to be stocked by such factories and that wagon facilities should be afforded to do so.

Freezing Stocks of Provisions.

The Committee, on 2nd May 1942, addressed the Controller of Supplies, Bombay, regarding the Order issued by him on provision merchants in Bombay freezing certain items of provisions specified in the Schedule attached thereto. They supported the representation of the Bombay Provision Mer-

chants Association urging relief in this regard and pointed out that if all the stocks available were requisitioned by Government, the merchants dealing in the same would have ultimately to close their business, as all imports of the provisions mentioned in the Order had ceased. It was requested that the prices to be paid by Government for acquiring such stocks should be based not merely on the basis of the landed cost plus the minimum percentage of profit. In determining the prices, consideration should be given to the restricted turn-over by merchants in respect of such stocks on account of the stoppage of imports in these commodities and the question of replacement should also be taken into account while fixing the prices of such goods. It was suggested that Government should take over only a part of the stocks allowing the remaining stocks for private trade. In view of the total stoppage of imports of such goods in future it was urged that steps should be taken to encourage the manufacture of such provisions in India.

The Controller of Supplies in his reply dated 13th May 1942, informed the Committee that the Order was issued to locate such stocks with a view to supplying the requirements of the Royal Navy and that as soon as the purpose was served, the Order would be withdrawn. Regarding prices to be paid for stocks purchased the same would be settled by negotiations ; if that failed, the prices would be paid on the basis of the standard laid down by the Supply and Finance Authorities. The Committee, in this connection, addressed the Government of India on 22nd May 1942 drawing their attention to the above Order and apprised Government of the likely consequences to the trade, when fresh import of such provisions were not possible. The Committee suggested that under the circumstances, it was advisable for Government to encourage the manufacture of canned provisions in India, so that when emergency arose, such manufacture would prove of immense advantage to the public. It was also suggested that Government should take steps to get the assistance of foreign experts in the establishment of such an industry. The Committee in

a further communication dated 7th July 1942 drew attention of Government to the fact that the percentage of gross profits allowed on the landed cost of provisions commandeered by Government was too low and uneconomic as the merchants had to pay interests on the capital, which might have been locked up for a long time. They had also to incur expenses for godown rent, insurance, war risk insurance, etc. It was also urged that such stocks should be taken over by negotiation and should not be commandeered.

Control on Shipments of Cutting Tools.

A member firm of the Chamber drew attention of the Committee to orders issued by the Controller of Purchase, Calcutta, requisitioning all consignments of cutting tools. Under the order of the Controller all such consignments were to be sent to Calcutta, when received. The Committee thereupon addressed the Chief Controller of Purchase, drawing his attention to the hardship that the users of such tools would have to bear if such tools were entirely requisitioned irrespective of the specific needs of Government. The Committee supported the suggestion of the firm that the supplies as received might be frozen and might be kept with them. Government might allow the use of such tools to such private industries as they deem fit from such stocks, at the same time, retaining full control over the stocks frozen. It was urged that the order under reference should be modified accordingly. The Controller in his reply dated 16th September informed the Committee that such action was made necessary owing to the suppression of stock by dealers with a view to obtaining better prices and exorbitant quotations for the stock offered by them. It was added that necessary steps were being taken to supply essential industries with their requirements.

Import Control on Essential Oils and Perfumery Materials.

It was represented to the Committee that while perfumery materials were allowed to be imported from U.K., under

restrictions, Government were not issuing licences for the imports of essential oils from U.K. and essential oils and perfumery materials from U.S.A., which materials are found necessary in the manufacture of toilet requisites like soaps, etc. On 18th December 1942 the Committee requested the Government of India to relax the control on the issue of licences for the importation of these articles to enable the factories to continue to work, which otherwise, was not considered possible, as the supply position in the market of these materials was not satisfactory.

Import Licences for Hypo-Sulphite of Soda and Sodium Sulphite.

In a communication dated 18th December addressed to the Government of India, the Committee represented the difficulties of manufacturers especially Silk Mills in obtaining their requirements of hypo-sulphite of soda which was a necessary ingredient used in the bleaching process. Reference was made to the reply of the Director General of Supplies (Cotton Textiles), in response to a request for releasing the chemical for civil needs which was to the effect that owing to the acute shortage of the chemical, the release for civil requirements was not possible. The Committee pointed out that the chemical was needed for sugar industry also, which demand should also be met by Government. It was suggested that if the Government stocks could not be released for urgent needs, fresh imports should be allowed. It was also pointed out that Government should at least allow imports of hydrogen peroxide which was considered a substitute for hypo-sulphite of soda for the requirements of the silk industry.

A communication was also addressed to the Chief Controller of Imports regarding the present arrangements for importation of hypo-sulphite of soda and sodium-sulphite anhydrous and distribution thereof in the country. It was pointed out that to the exclusion of other importers, the Imperial Chemical Industries were appointed the sole licensees for the importation of the chemicals who in turn appointed Messrs.

Kodak Limited and Messrs. Martin & Harris as their retailers and distributors, which arrangement was considered discriminatory in relation to the other importers. It was emphasised that the arrangement had caused great hardship to a few firms who were mainly dealing in such photographic chemicals in the past and their business had suffered as a result of this unfair arrangement. It was suggested that if such parties could not be allowed licence for direct importation, the Imperial Chemical Industries should be asked to supply them direct, their requirements of these chemicals.

Requisition of Sulphur Stocks by Government.

The Ramco Chemical Works, Ahmedabad, complained to the Committee that the Department of Supply had requisitioned certain quantities of sulphur from their stocks for being delivered to specified manufacturers obviously for use in connection with war work. In this connection the Committee in a communication dated 13th November addressed to the Department of Supply, pointed out that ordinarily Government should not requisition from stocks built up by industrial consumers and that if on any occasion Government found themselves constrained to acquire such stocks, it should be on the basis that Government would undertake to replace the same at the earliest opportunity. In a reply dated 1st December, 1942, Government informed the Committee that the stock position of Ramco Chemical Works was known to them and that when fresh stocks were available to the country, the question of giving the necessary supplies to the firm would be duly considered.

Difficulties in Getting Supplies of Baling Hoops.

It was pointed to the Committee that in view of the scarcity of baling hoops and difficulties of importing the same, a fairly good part of cotton for this year would have to be bound with ropes. In this connection their attention was drawn to the difference in freight rates over the railways between fully pressed cotton bales bound with steel hoops

and those bound with ropes, the rate for the latter being higher. Similarly, the rate of insurance premium for bales bound with ropes was also higher. The Committee thereupon addressed both the Railway Board and the Bombay Fire Insurance Association, drawing their attention to the above position, and requested them to revise their tariff with a view to cotton bales bound with ropes being accepted for rate purposes on the same basis as those with hoops.

The Sind Press Co., Ltd., a member, complained to the Committee that under the existing arrangement the available supply of baling hoops was to be distributed exclusively for purposes of baling cotton, and that their requirements of hoops for baling wool, for export purposes were not being considered. The Committee, in a letter addressed to the Department of Supply, requested Government to give due consideration of requirements to presses baling wool also.

Diesel Oil Ration and Stoppage of Electric Supply.

Messrs. Consolidated Electric Agencies, Ltd., drew the attention of the Committee to the Government orders in respect of cutting off hours of electric supply and reduction in the supply of diesel oil and stated that under the orders, the ration of diesel oil had been unduly reduced and consequently, the said orders would act as a hardship on the electric supply companies. The Committee thereupon addressed the Government of Bombay on 30th of September pointing out that the Government orders should be revised with regard to the ration fixed for diesel oil and stated that for a 12½ hours supply of electricity, there would be a saving of 25% of diesel oil, while the ration had been reduced by 60%. Objection was taken in regard to the discrimination in respect of hours of supply and the ration of diesel oil in favour of big towns, as also regarding the 100% rise in the price of diesel oil which had made the generation of electricity uneconomic. Government in their reply dated 3rd October, assured the Committee that the matter regarding the ration of diesel oil was being carefully watched and the orders would

be revised if found necessary. It was also stated that the question of allowing companies to charge a surcharge due to the high cost of oil was under consideration. They also stated that there was no discrimination between large and small towns with regard to the supply of diesel oil and that the classification was based on the importance of the load.

Establishment of Non-ferrous Metallurgical Industry in India.

In reply to a questionnaire issued by the Council of Scientific and Industrial Research regarding the possibility of establishing a non-ferrous metallurgical industry in India the Committee on 29th October submitted their views on the question, a brief summary of which is as follows :—The Committee at the outset emphasised that a long range view on the establishment of such an industry was necessary and that the problem should not be handled only for the immediate needs of meeting the requirements of the war. For a large country like India with its manifold industrial needs in respect of metals, regular manufacture of non-ferrous metals in the country was essential to make the country self-sufficient. In fact the Committee were of opinion that it was the duty of the State to carry on initial surveys of such metal deposits and that they should make available to the prospective refiners the necessary plant, tools and personnel to carry on the industry. The difficult problem of transport should also be tackled by Government as for the successful running of such industries metal ores had to be transported to long distances. In view of the practical difficulties met by private prospectors, rules and regulations governing mining concessions must be relaxed and the procedure connected with the grant of mining licences should be made easy.

Manufacture of Chemicals.

In a communication dated 14th March addressed to the Government of India and the Board of Scientific and Industrial Research, New Delhi, the Committee referred to the

development and manufacture of several essential chemicals in Government and State-aided factories and laboratories and suggested the necessity for continuing these manufactures even after the war for the benefit of trade and industries in India. This suggestion was made by the Committee in view of the fact that such industries started in the last war were not allowed to continue after the war, thus depriving the civil industries of the country of the use of such manufactures started by Government in war time. The Committee also suggested that a record of such industries and technical efforts made under the aegis of Government in the State-aided factories and laboratories should be maintained with full details of the items of manufacture, formulae, production, etc. In the opinion of the Committee, such information if maintained, would help the public and industrialists to know what chemicals had been manufactured and were available in the country for use after the war.

A copy of this letter was also forwarded to the Government of Bombay, who in their reply dated 11th May 1942 referred to the list of chemical and pharmaceutical manufacturers in India prepared by the Indian Chemical Manufacturers Association, Calcutta, and which was in course of revision now. The reply stated that the Government of Bombay was collecting the necessary information with a view to determine which of the industries should be continued economically after the end of the war. It was also stated that the Government of Bombay had supported in their letter to the Government of India the request of the Chamber. The Committee in their reply dated 22nd May thanked the Government of Bombay for their action in supporting the Chamber's request for the continuance of the manufacture of chemicals after the war. It was further pointed out that they had referred in their previous letters to the Manufacture of Chemicals in State and State-aided factories and laboratories and a request was made to the Government of Bombay that the Chamber might be kept fully informed from time to

time about the manufacturing activities undertaken by the factories in the province.

Production of Indian Newsreels.

In a communication dated 2nd April addressed to the Government of India, the Committee referred to a note entitled "A Plea for Indian Newsreels" published by Mr. Y. A. Fazalbhoy of the National Studios Ltd., regarding the necessity of production of newsreels and documentary pictures in the country and supported the appeal contained therein. It was stated that such newsreels of topical importance had gained importance in foreign countries as a medium of great educational value. The Committee were of opinion that the production of such newsreels would be of great advantage in furthering the war effort. It was emphasised that if the production of such newsreels was to be carried on in earnest, the same could not be entirely left in private hands but that Government should give to such production their due patronage and establish a quota, whereby all exhibitors should be compelled to include a certain footage of newsreels in all shows.

Supplies of Caustic Soda.

In their communication dated 27th May 1942 addressed to the Government of India, the Committee drew attention to the recent control over the distribution of the available supplies of caustic soda. Under this control, requests for essential civil requirements had also to be submitted to the Controller of Heavy Chemicals, Calcutta. The Committee, in this connection, informed Government that the Controller was refusing to consider all requests for civil requirements under the plea that all supplies of caustic soda now available were required for war purposes. It was pointed out that if the supply of caustic soda was stopped, the soap industry would be the greatest sufferer and, therefore, it was suggested that quotas out of the existing supply should be granted to enable the industry to obtain essential civil requirement,

Difficulties of the Match Industry re: Obtaining Chemicals, etc.

In a communication dated 27th May 1942 addressed to the Government of India the Committee drew attention of Government regarding the difficulties experienced by the match manufacturing industry in obtaining such chemicals and raw materials as were useful in the manufacture of matches. It was stated particularly that chlorate of potash was almost unobtainable now as imports were impossible from Germany and Japan. Similarly, supplies of the special quality of paper required by the industry could only be obtained now from the U.S.A., and it was requested that priority certificates from Government should be speedily granted for getting such supplies. Factories located in the province of Bombay were experiencing difficulty in obtaining special qualities of soft wood. It was urged that wagon facilities should be provided for transporting such wood from other sources. Regarding the complaint of the Indian Manufacturers that Government were fixing the retail prices of matches based on the advice of the Western India Match Co., the Committee suggested that the Indian Manufacturers should also be consulted before fixing such prices. Government in their reply dated 18th July informed the Committee that arrangements had been made with the Indian Purchasing Mission in U.S.A. for the grant of priority assistance in respect of chlorate of potash and paper. Regarding transport of supplies of match wood, the reply stated that the needful would be done in the matter. The Committee in a further communication dated 2nd September drew the attention of Government to the difficulty experienced by the match manufacturers for want of transport facilities of match-wood splints from stations on the South Indian Railway and stated that owing to restrictions on booking, no wagons were being allotted for match-wood from such stations, with the result that the match manufacturing industry was experiencing difficulties. It was urged that transport facilities for match-wood from South Indian stations should be made available.

Manufacture of Chemical Cotton.

At the instance of a member of the Committee, the Committee requested Sir Chunilal B. Mehta, Representative of the Chamber on the Central Cotton Committee to obtain information regarding the plant for the manufacture of chemical cotton which has been ordered by the Central Cotton Committee. Sir Chunilal B. Mehta in his reply dated 20th June informed the Committee that the chemical cotton pilot plant had arrived in India and the question of working the same was under consideration.

Manufacture of Power Alcohol from Molasses.

The Committee in a communication dated 10th June addressed to the Government of Bombay referred to the recommendation of the American Technical Mission regarding manufacture of power alcohol and suggested that Government should now seriously consider the question of the utilisation of molasses for purposes of manufacturing alcohol. They suggested that such a step would help in relieving the difficulty caused to transport by rationing of petrol. Government in their reply dated 29th June assured the Committee that the question of utilising molasses for manufacture of power alcohol was engaging their attention.

The Committee in a further communication dated 20th July 1942, in this connection urged Government to expedite the manufacture of power alcohol as it was a matter of great urgency in view of the fact that thereby there was a possibility of manufacturing several other chemicals as by-products. They referred to the Central Government order for some plants for manufacturing power alcohol with the U.S.A., and requested the Government of Bombay to secure at least one of these plants for the presidency. They also referred to the manufacturing activities of the Nasik Distillery which had proved successful in the production of some of the by-products of alcohol, viz. ethyl alcohol, acetic acid, etc. which were useful in the manufacture of textiles and rayon products. The Committee urged that in the interests of industry Gov-

ernment should take up seriously the manufacture of power alcohol from molasses.

Purchase of Swadeshi Stores by the Director of Industries.

In a communication dated 6th July addressed to the Director of Industries, the Committee referred to the task of purchasing swadeshi stores for Government purposes which had been assigned to the Director of Industries by a Committee appointed for the purpose. The Committee of the Chamber desired to be supplied with information regarding such purchase of swadeshi stores in respect of (*a*) articles purchased, (*b*) Government Departments placing orders under the arrangement, (*c*) articles which could not be produced in India, etc. The Committee further desired to know whether any scheme had been recommended by the Provincial Industrial Research Committee appointed in January 1941 by the Government of Bombay and whether any action was taken on such. They also desired to know whether the results of the progress of the research done and chemicals produced under the direction of the Department of Industries were allowed to be examined by persons taking interest in industrial research. The Director in his reply dated 13th July informed the Committee that a Central Stores Purchase Organisation sanctioned by Government had come into effect from 1st June 1942 and that it was too early to assess the results of the same. In a further reply dated 29th September 1942, he supplied in detail the results of the work undertaken by the Department with regard to various researches and industries.

Cultivation of Cinchona.

As recorded in the Annual Report of the Chamber for the year 1939 the Committee had suggested to the Government of Bombay the desirability of undertaking cultivation of cinchona plant in the province of Bombay with a view to the province being in a position to produce its own quinine. In a reply dated 5th December 1942 Government

informed the Committee that the question was examined in all its aspects and it was found that cinchona could not be cultivated profitably anywhere in the province as such cultivation required rainfall distributed over 9 to 10 months in a year. No part of Bombay had such rainfall and moreover acidity of the soil was another handicap which militated against the successful rearing of the plant.

Indian Stores Department Tenders and Manufacturers' Invoices.

The Committee had last year protested to the Indian Stores Department against their requirement for production of manufacturers' invoices in connection with tenders accepted by them. The Department of Supply, Government of India, in their reply dated 21st January 1942 informed the Committee that the conditions requiring the production of manufacturers' invoices was normally intended to apply only in respect of contracts negotiated on a basis other than that of competitive tenders. The Committee in their reply dated 13th March 1942, informed Government that the Chief Controller of Supply, Bombay, had for sometime discontinued the additional condition to produce documents ; but actually, after the scrutiny of the tenders, the merchants were asked to produce invoices to ascertain the reasonableness of the rates and in the event of their refusing to do so, they were threatened under the Defence of India Rules. It was urged that such practice should be discouraged, as otherwise it would prevent genuine merchants from offering tenders for purchases by Government. Government in their reply dated 20th June explained that after scrutiny, it might be found possible to accept a tender out of all others and finally, the contract would be placed after negotiation. In such cases, the competitive character of the tender would be taken away and to ascertain the reasonableness of the quotation, book examination might be required. The Committee were further informed that the Department had decided to include the book examination clause in all invitations to

tender. Such would not be the case, however, in case of contracts placed as a result of competitive tenders.

Standard Conditions of Contracts for the Supply of Stores.

Arising out of the discussion that the Committee had with the Chief Commissioner of Railways at an interview in 1941, the Committee had submitted to the Railway Board two cases of hardship with regard to the standard conditions of contracts for the supply of stores. One instance related to the acceptance of a tender after a lapse of 57 days, during which interval, war had been declared. This proved a hardship to the tenderer in complying with the terms of the contract. In another case due to war conditions, the tenderer was not in a position to comply with the provision for supplying 25 per cent more of the total quantity entered in the contract. The Railway Board in their reply dated 26th February, informed the Committee that it was open to any tenderer to specify the period for which his tenders should remain valid. They also stated with regard to running contracts over a considerable period that the margin for supplying more than the tendered quantity had been reduced to 10 per cent more or less and that, therefore, there was no necessity for any revision of the standard conditions at this stage.

Claims of Indian Merchants against the Governments of Burma, Malaya, etc.

The Federation of Indian Chambers of Commerce and Industry in their Circular letter dated 21st April 1942 informed the Committee that they were willing to register the claims of the Indian merchants against the Government of Burma, Malaya, etc., in respect of immoveable properties owned by them in Burma and Malaya and would forward such claims to Government for consideration. The letter of the Federation stated that claims in respect of the following might also be registered : Goods covered under the Local War Risk (Goods) Insurance Scheme ; Supply of Goods made to the Civil Departments of these Governments ; Supply of

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goods made to the military in those territories ; Goods commandeered either by the Civil or the Military Authorities in those countries. The Committee thereupon sent a Circular to the members of the Chamber requesting those who had such claims against the Governments of Burma and Malaya to register the same with the Federation.

Relief by way of Moratorium to Debtors whose Assets are in the Enemy Territory.

The Government of Bombay along with their letter dated 20th July forwarded for the information of the Committee a letter from the Government of India requesting for the views of the Committee regarding the desirability of giving relief by way of moratorium to debtors in India whose assets were in the territories occupied by the enemy. The Committee in their reply dated 2nd September approved of the proposal to give relief by way of moratorium to such debtors who could prove that their assets were mainly in enemy territories and that as a result they were not able to meet their obligations.

Re-export of Goods Shipped to Rangoon.

The Committee in a telegram dated 4th February addressed to the Government of India drew their attention to the cargoes shipped or unloaded in Rangoon which remained unclaimed in the port of Rangoon owing to war developments and to the difficulties experienced by the exporters in re-exporting such unclaimed cargoes to India. The Committee urged Government to make arrangements with the Government of Burma for re-export of such unclaimed goods. It was added that if such goods were required for consumption or use by the Burma Government they should undertake to accept delivery of the same and pay proper prices to the Indian exporters concerned.

Shipments to East Africa from Bombay.

The Bombay Underwriters' Association forwarded to the Committee on 1st April 1942 a complaint received by

them regarding the unsatisfactory packing conditions of shipments from Bombay to Mombasa. The Committee after making enquiries in the matter addressed the Bombay Underwriters' Association on 10th June stating that the Mills particularly supplied special packing including bardan and tarpaulins in case of such goods meant for export if they were previously informed.

Licence for Stocking Coal under the Municipal Act.

The Bombay Silk Mills informed the Committee that under Section 394(6) of the Municipal Act, mills spinning or weaving cotton, wool, silk or jute were generally exempted from the requirement of taking out a licence for stocking coal used in boilers. They complained that this exemption was not being extended to them by the Municipality which they were entitled to under the above rule. The Committee thereupon requested their representative on the Bombay Municipality to take up the matter who replied to the effect that the matter would be satisfactorily solved.

Excessive Fees for the Issue of Tender Forms

At the instance of a member-firm, the Committee addressed the Chief Controller of Stores, Indian Stores Department, on 21st September, drawing his attention in respect of the issue of tenders that a tenderer had to pay a composite fee of Rs. 45 for seven different varieties of inks mentioned in the tender dated 13th August 1942. It was stated that the fees charged for the different items of inks in particular were excessive and that the grievance of the tenderers would be removed if a nominal composite fee were to be prescribed for the different items of inks.

Increase in the Prices of Paper and Articles of Stationery.

The Committee addressed a communication on 25th November, to the Supply Commissioner, Government of Bombay, drawing his attention to the abnormal increase in the prices of paper and other articles of stationery such as pens, pins,

paper-clips, pencils, etc. They also sent a comparative statement showing the prices of typical items of stationery in daily use in the different offices in the City, which gave an idea of the extent of the increases. They expressed the hope that Government would look into the matter and take necessary action.

Control Orders on Iron and Steel.

In a telegram addressed to the Government of India dated 9th October, the Committee referred to the recent Government orders controlling movement and distribution of Iron and Steel as also regarding the requirement of supplying detailed information about stocks and stated that as a result of the same, movement and distribution of the goods controlled had suffered seriously making *bona fide* business impossible. It was suggested that at least within the City limits, the goods should be allowed to be moved without authorisation of the Iron and Steel Controller and that small lots should be permitted to be sold as under Iron and Steel Control of Distribution Order, 1941. Owing to the shortage of labour and the extra expense to be incurred, it was not possible for the merchants to give exact statements of stocks of various categories controlled by the Order. It was added that under the previous Orders, such statements had been called for and thereafter, merchants had received no stocks from producers except controlled stocks. It was, therefore, urged that the Orders in question should be withdrawn.

Control on Export of Metal Containers.

As published in the Report of the Committee for the year 1941 the Committee had requested the Government of India that the export control on metal containers should be withdrawn or modified to relieve the difficulty of exporters of liquid oils, etc. The Government in their reply dated 15th December 1941 regretted that they could not permit unrestricted export of metal containers abroad but that they were now meeting the reasonable requirements of trade

as far as possible. It was added that licences for secondhand containers were given freely as also for containers of larger capacity. Licences were also issued fairly freely in cases in which stocks were genuinely held from before. The Committee were also informed that applications for export to hard currency countries or to Empire or allied countries would receive priority consideration.

The Committee addressed a further communication on 5th November 1942 wherein they particularly pointed out that when licences once granted could not be used within the period of validity on account of the unavailability of shipping space, the same ought to be renewed automatically and the power of renewal should be vested with the Export Controller, Bombay. Under the existing procedure it happened that the renewal application had to be decided again by the Headquarters with the result that the delay led to the shippers missing the shipping opportunities available. The Committee urged the necessary changes in the procedure so that licences could be issued expeditiously.

Export Licence for Cotton Manufactured Goods.

As published in the Report of the Committee for the year 1941, the Committee had requested the Government of India that in cases of export licences granted for cotton manufactured goods, the procedure should be modified so as to make the licences issued valid for two months with a view to provide relief to the exporters in respect of shipments to be sent abroad. Government in their reply dated 20th December 1941 informed the Committee that while they were unable to accede to the request of the Committee to extend the period of licences for two months, they had already issued instructions to Export Trade Controllers to extend, at their discretion, the validity of licences granted by them by a reasonable period in cases of genuine hardship.

Export Control of Yarn.

The Committee in their telegram dated 15th January addressed to the Government of India protested against the

restriction of export of cotton yarn to all countries excepting U.K. in view of the present low prices of yarn in the country. The new export markets acquired by the trade would go out of the hands of the exporters if the control was strictly operated. The Committee requested that the control should be relaxed. In any case exporters should be allowed to ship contracted quantities in respect of prior orders.

Preference in respect of Exports of Yarn and Piecegoods.

It was represented to the Committee that in respect of exports of Indian cotton yarn priority had been given to the United Kingdom Commercial Corporation by allowing freight space for the export of yarn to the exclusion of Indian Exporters who had legitimately claimed freight space for their consignments. The Committee in their communication dated 18th April addressed to the Government of India, drew attention to a special trade agreement which the British Government had entered into with the Turkish Government, whereunder, some financial arrangements were made and long credits were granted to Turkey. It was stated that all the units of the British Commonwealth were covered under the said agreement. In the meanwhile, the United Kingdom Commercial Corporation was started with a view to facilitate the financing of shipments to and from Turkey. In the beginning of this year, the Government of India imposed restrictions on export of cotton yarn to foreign markets with the object of helping the Indian Handloom Industry which restrictions were modified by Government on receiving protests from the commercial community and licences began to be granted for small quantities against contracts of 1941. These licences were obtained after great difficulty even for small quantities. Recently, there were some shipments of cotton yarn and it was found that the shipments were on behalf of the United Kingdom Commercial Corporation which were treated as government cargo and had priority in all respect. The Committee strongly objected to such a monopoly being granted to the Corporation which was a rival

trade organisation and requested Government to deal justly with the Indian Exporters enabling them to claim a just share of freight space for the export of Indian yarn. In a telegram addressed to the Government of India dated 15th April 1942, the Committee drew attention to the restrictions imposed by Government with effect from 1st April 1942 on exports of Indian cotton piecegoods and yarn. It was stated that if as reported, exports would in future be limited to annual average sendings in the period 1936-39, the Indian export trade in piecegoods and yarn which has suffered a great set-back by loss of markets in foreign countries would be greatly affected. They also supported the Representation of the Bombay Millowners' Association in this regard and requested for cancellation of the Notification. If this was not possible, some modification was urged in the interests of trade.

Import Control on Dyes.

As published in the Report of the Committee for the year 1941, the Committee had recommended to Government the case of Bombay Union Dyeing Mills for obtaining quota under the present scheme of control as they were importers in the past of large quantities of dyestuffs. The Committee had also represented the difficulties of the importers with regard to the securing of licences for the importation of dyes on the basis of their imports in the past from countries like Italy, Holland, France and Japan. The Chief Controller of Imports in his reply dated 8th January informed the Committee that the Bombay Union Dyeing Mills could not be included in the list of registered importers of dyestuffs. It was stated that no additional quotas could be granted to registered importers on the basis of their imports made in 1940 or prior to that year from continental countries like Italy, Holland, France, etc. With regard to additional quotas to be granted to registered importers for the import of dyes from the U.S.A. and Switzerland to the extent of previous imports of dyes from Japan, the Controller stated that the matter was under consideration.

Import Licence for Wines and Spirits.

A member-firm drew the attention of the Committee to the existing procedure in regard to the grant of licence under which if the quota of imports covered by a particular licence was not utilised within the specified period during the current year, the same could not be deemed to be valid for the next year. It was pointed out that the imports could not be made because of the difficulty in getting shipping space and under such circumstances if the licence was deemed to have lapsed at the end of the year, commitments based on the permitted quantity would be upset. The Committee thereupon addressed a letter on 20th November to the Chief Controller of Imports, drawing his attention to the above position, and suggested that on occasions when goods covered by licence already granted could not be imported due to reasons inherent in the present difficult situation, an extension should automatically be given and the importers concerned should be enabled to import the quantity at subsequent dates. This principle has been agreed to by Government.

Export of Umbrellas.

At the request of Messrs. Ebrahim Currim & Sons the Committee in their communication dated 1st August addressed to the Government of India supported the representation of the above party for the grant of licence for the export of umbrellas to South and East Africa. It was added that as the shipments contemplated under the licence were small there should be no objection on the part of Government to grant the necessary licence. It was also added that the umbrellas were meant for use of the poor people in Africa which were supplied at cheap rates.

Import of Umbrella Cloth and Ribs.

At the instance of Messrs. Ebrahim Currim & Sons, the Committee on 19th September addressed the Government of India requesting that permission be granted to the firm under reference who were the leading manufac-

turers of umbrellas in the country, for the import from U.K. of umbrella cloth and ribs, as the said two articles were necessary in the manufacture of umbrellas and as the sources of supply of the same were cut off owing to the present war situation. The Committee conveyed the request of Messrs. Ebrahim Currim & Sons that Government should give them import assistance recommendation in respect of the above, on which endorsement, they might secure priority from U.K. for the import of umbrella cloth and ribs. Difficulties of imports regarding the basis of securing import licence in India were also referred to and it was urged that they should be considered by Government. The Committee further requested Government to allow the firm to import the balance of their orders for ribs placed in U.K. which had remained still unfulfilled. The article had an important place in the manufacture of umbrellas and in the interest of the public, the Committee urged Government that the request of the firm should be considered.

Essentiality Certificate for the Import of Electrical Equipment.

As published in the Report of the Committee for the year 1941, the Committee had requested the Government of India to grant Essentiality Certificate required for the import of electrical equipment to the Alembic Chemical Works Co., Ltd. Government in their letter dated 23rd December 1941, informed the Committee that the company in question might apply for the certificate with full details of machinery to be imported from the U.S.A. They were, however, not in a position to grant such a certificate for the importation of machinery from U.K. and Australia.

Licence for Importation of Refined Sulphur.

In a communication dated 29th July, addressed to the Chief Controller of Imports, the Committee supported the request of Messrs. Gopalji Gangji & Co., to the Controller for being granted licence for the importation of refined sulphur

from U.S.A., as the other sources of supply of sulphur had been closed since a long time. It was stated that the firm was a regular supplier of the material to some of the chemical works, sugar factories, match factories, etc., and it was not possible for the firm to take advantage of the Baluchistan sulphur because it was supplied in an unrefined state. In the circumstances, till it was found possible to refine Baluchistan crude sulphur, the Committee recommended that the request for licence to the firm under reference should be granted. Reference was made to the grant of licences to several firms in Bombay for the importation of refined sulphur from U.S.A., and that the quotas under such licences was not exclusively meant for military requirements. The Controller in his reply dated 30th July informed the Committee that it was not possible for the Department to accede to the request of the firm during the present shipment period of July-December, 1942. It was added that the firm might apply again for a licence in November for the shipping period, January-June, 1943.

Export Licence for Shipments to Saudi Arabia.

Messrs. Abdulla Fazil Arab represented to the Committee that allotments of monthly quota of rice and flour for export to Saudi Arabia were being made by the authorities, whereunder certain local shippers only were given permission to export the same to Saudi Arabia from Calcutta, Bombay and Karachi. The firm in question complained that although they had applied for licence for export to Saudi Arabia, such had been refused. The Committee thereupon in their letter dated 24th September addressed to the Government of India recommended that if some firms were allowed to export rice and flour to Saudi Arabia, Messrs. Abdulla Fazil Arab might also be given permission for such export. Government in their reply dated 9th October informed the Committee that such licences were being given to established shippers in a particular trade and to a particular destination and that Messrs. Abdulla Fazil Arab did not fall in that category.

Prices of Indian Wool meant for Export.

At the instance of a member of the Chamber, the Committee addressed on 6th July 1942, the Government of India drawing their attention to the increase granted for the purchase of Australian, New Zealand and S. African wool by the British Government. It was pointed out that the buying price fixed for the Indian wool by the British Government was made uneconomic now by the higher cost on account of insurance, freight, commission, pressing, etc. It was stressed also that owing to the absence of markets, the disposal of white and yellow wools had become difficult. It was, therefore, suggested that Government should increase the price to be paid for Indian wool in line with the higher cost. It was stated that owing to the absence of markets, the disposal of white and yellow wools had become difficult. It was further requested that Government should arrange to purchase white and yellow wools also. Government in their reply dated 24th July, stated that His Majesty's Government's requirements were being met by the present shipments and that the revision of prices for Indian wools was under consideration. The proposal for increased utilisation of Indian wools in the manufacture of cloth would be given due consideration by the Supply Department. It was added that the combing wool which was under great demand was not produced in sufficient quantities in India.

Bank Holidays under the Negotiable Instruments Act.

The Committee in their communication dated the 11th April addressed to the Government of Bombay drew attention to the Notification of the 10th February 1942, whereby, certain Bank Holidays which were originally declared for the year 1942 on 13th October 1941 were deleted with a view to speed up war production. The Committee informed Government in this connection that while they had no objection to cancel holidays with the object of speeding up war efforts, they regretted that they were not consulted with regard to the revision of the holidays as under the second Notification. It

was pointed out that the Ramnavami Holiday which was deleted in the second list was observed in all the principal Indian markets. It was also pointed out that in the past, it was the practice of Government to consult the commercial opinion before making any change in the usual holidays and that they should in future consult commercial opinion whenever any changes were desired. The Government of Bombay in their reply dated 21st April informed the Committee that it was not possible, owing to the shortness of time, to consult the various Associations in this matter. They, however, stated that the request of the Chamber, in this connection, had been noted.

Later in the year the Committee also addressed Government on the question of the days of the Diwali Holidays for 1943 and expressed the view that in future the said holidays should not be curtailed.

July First as Bank Holiday.

The Government of Bombay in their letter dated 28th May desired the views of the Committee regarding the fixing of 1st July 1942 as a public holiday under the Negotiable Instruments Act with a view to enable the Banks to complete their balance work before the re-opening for business in July. This they stated was necessary in view of the present lighting restrictions which did not allow the staff to sit late hours. It was also proposed to declare 1st July as a holiday in future whenever the 30th June and 1st July both happened to be working days. The Committee in their reply dated 27th May agreed to both the suggestions of Government.

V. GENERAL.

Political Situation in the Country.

In a telegram addressed to His Excellency the Viceroy, on 12th August 1942, the Committee referred to the speech of the President of the Chamber at the Second Quarterly General Meeting, wherein the President had appealed that if Government and the leaders of the political parties would not arrive at some settlement of the political tangle, the situation would result in disaster, which had come about by the arrest of the Congress leaders. Gandhiji had before his arrest contemplated to send an appeal to the Viceroy to consider the present political situation in the country and had given an assurance that the same would not be in the shape of an ultimatum. The Committee wholeheartedly supported Gandhiji in his contention that the main issue was utmost efforts to win the war and that the Indian people had the right to defend their own country against foreign aggression. This was possible only if the people had the real power to defend themselves. They, therefore, urged that with a view to resume negotiations, Gandhiji should be allowed facilities for communicating with His Excellency and thus end the prospect of bitterness that would ensue if the policy of Government was allowed to continue.

The Committee also addressed the Government of Bombay on 14th August 1942, drawing their attention to the nature of steps Government were taking to put down the disturbances. Allegations were made in the public press that persons living in nearby houses, pedestrians and even people going about in cars were compelled by the troops and the police to cleanse the streets of the litter in the roads where disturbances had occurred. Those who refused to obey the orders of the troops and the police had severe beating and were arrested. It was urged that Government should look into the various allegations against the police and the troops and that if they were

true, such practice should be forthwith stopped in the interest of law and order. They referred to arrest of persons without any charges being preferred against them. The Committee stressed that the Government should issue a Press Note giving assurance to the people that no undue harassment would be given to the public.

The Committee in a further telegram, dated 20th August, addressed to His Excellency the Viceroy, protested against the Ordinance regarding additional powers to the military recently issued by the Central Government and stated that such drastic provisions should not have been enacted, as the same would result in great suffering to many innocent persons.

The Committee in a separate letter, dated 19th August, addressed to the Government of Bombay urged that they should issue every week a bulletin regarding the health condition of Mahatma Gandhi, after being examined by his doctors and Government doctors. The Committee realised that Government appreciated the importance of his health as much as the general public. They would, however, like to stress that looking to his position, his status and his saintly character, he should be provided with, what to a man of his character would appear to be, the necessities of life like newspapers, books, etc.

The Committee also urged His Excellency the Viceroy in a separate telegram dated 19th August to issue a bulletin regarding the health conditions of the other National Leaders in detention. It was requested that the facilities due to their position and status should be given to them. The reply received from the Government of Bombay pointed out that the persons under detention were permitted to carry on correspondence with members of their family on personal matters. The Committee, in a further letter, dated 6th November 1942, urged that such leaders, having regard to their position in life, should be allowed to write letters even to persons who were not members of their family, provided such correspondence related purely to personal matters.

Joint Meeting of the Commercial Associations re: the Political Situation in the Country.

A joint meeting of the Representatives of the Indian Merchants' Chamber and other Allied Commercial Associations was held on 17th August 1942, to consider the situation resulting from the arrest of the National Leaders. The meeting passed several Resolutions protesting against (*a*) the repressive measures taken by Government to quell disturbances in the city, (*b*) innocent persons victimised while going or returning from places of business, (*c*) the manner and method of putting down the disturbances in the city, whereby, much loss of property and life had occurred which led to the dislocation of the normal course of business and work in the city and calling upon the public to desist from violence. The meeting urged Government to release Mahatma Gandhi and other leaders and to resume negotiations for solving the present political deadlock. An appeal was made to His Excellency the Governor that punitive measures must be discouraged if normal life in the city was to be restored.

Special General Meeting of the Chamber.

A Special General Meeting of the Chamber was held on 30th September 1942, when a Resolution regarding the political situation in the country was unanimously passed, a brief summary of which, is as follows :—The meeting deplored the action of the Government of India in arresting Mahatma Gandhi and other Congress leaders as also the adoption by Government of repressive measures. While the acts of violence and sabotage were condemned, the meeting urged for immediate transfer of power from British to Indian hands, with a view to assuage the feeling of bitterness in the country. The speech of the British Prime Minister in the House of Commons on 10th September was considered provocative and had aggravated the present crisis. The meeting urged the Indian Members of the Viceroy's Executive Council to rise equal to the occasion at the critical juncture and to press the British Government for the establishment of a National Gov-

ernment at the Centre. It was affirmed that the business community had always worked for national freedom and would continue to do so. It was urged, with a view to start negotiations between Government and leaders of all parties in the country, to release Mahatma Gandhi and other national leaders who were in detention.

Refusal of Permission to Sri C. Rajagopalachariar to Interview Mahatma Gandhi.

The Committee sent a telegram to His Excellency the Viceroy, on 16th November, expressing their regret at the action of His Excellency in refusing permission to Sri C. Rajagopalachariar to have an interview of Mahatma Gandhi. They observed that an immediate settlement of the political deadlock was necessary and any effort towards that end should have been welcomed by Government. They added that by such an attitude on the part of Government, the public was likely to infer that Government did not want such a settlement.

Expansion of the Viceroy's Executive Council.

The President of the Chamber issued a Press Note on 4th July, protesting against the recent expansion of the Viceroy's Executive Council characterising the step of the Viceroy as a cruel joke as the new appointments on the Expanded Council were not representative of the national public opinion. The Press Note referred to Cripps negotiations and regretted that the important portfolios, viz. Home and Finance, were not entrusted to non-official Indians. The Press Note also referred to the appointment of Sir E. Benthal as Member for War Transport whose interests were opposed to the interests of Indian trade, commerce and industry. They suggested that this important portfolio should have gone to a non-official Indian.

Indianisation of the remaining Portfolios of the Viceroy's Executive Council.

The Committee in a Press Note issued on 30th October 1942, referred to the recent statement made by the Secretary

of State for India in the House of Commons to the effect that the present European members of the Viceroy's Executive Council were being retained merely because of the difficulty of getting suitable Indians for the posts and stated that the implication behind this utterance was that no Indians had been found to occupy the responsible portfolios of Finance, Home and War Transport. It was also stated that the correction afterwards reported in the Press with regard to this utterance did not improve the situation. It meant that there were other reasons also for retaining the European Members in the Council. The utterance of Mr. Amery was bound to lead to the conclusion that the British Government was not prepared to go forward in their accepted policy of Indianisation of the Services. The Committee took exception to such statements in view of the fact that Indians had occupied in the past, and were capable of occupying now, the highest posts in Government. The utterance in question was also an indication that Great Britain was not prepared to part with power.

Advancing the Clocks by One Hour.

In a communication dated 23rd February 1942, Mr. M. R. A. Baig placed before the Committee a suggestion for the advancing of time by one hour wth a view to relieve the difficulty experienced under the black-out rules. The Committee in their reply dated 4th March, disapproved of the proposal but suggested that the purpose in view would be achieved by offices fixing the closing hour at 5-30 p.m. during summer and 5 p.m. during winter and the monsoon.

Introduction of the New Standard Time.

The Committee addressed the Government of Bombay on the 15th September 1942, regarding the introduction of the new standard time as from 1st September 1942, and drew their attention to the difficulties experienced by the public as a result of the same. They referred to their previous correspondence, in this connection, *vide* Annual Report for the

year 1941. The Committee had now ascertained the reactions to the change of advancing the clocks by one hour from 1st September and they had come to the conclusion that the commercial and industrial community would experience great difficulty by conforming to the new time. They pointed out that the standard time had already been ahead by 39 minutes in advance of the local time and the clocks were now advanced by one hour even from the old standard time. Reference was made to a large section of the public who were in the habit of taking only two meals in the day, one in the morning before going to work and the other in the evening. Persons who usually took their meals between 8-30 and 9-00 a.m. would now be compelled to take food very early in the morning. In the opinion of the Committee, such a change was bound to reflect on the health of the public. In the case of the suburban public, this new time would be especially a great hardship as they would have to leave stations between 7-30 and 8-00 a.m. to arrive at places of business in time. It was, therefore, urged to set back clocks in Government Departments and in the High Court by one hour or in the alternative, to alter the hours of work to suit the new standard time. They also addressed the Chief Justice of the Bombay High Court regarding advancing of working hours in the Small Causes Court.

The Committee further addressed the Local Board of the Reserve Bank of India, the Reserve Bank of India, the Bombay Bankers Clearing House Association and the Exchange Banks Association, requesting for a change in the banking hours to suit the advanced time. The managers of the banks in the City were also requested to press for a change in the time and for setting back the clocks by one hour with a view to remove the difficulty caused by the introduction of the new standard time.

The Reserve Bank of India in their reply, dated 28th September, informed the Committee that the hours of business of the bank with effect from 1st October 1942, would be

10-30 a.m. to 3-00 p.m. on week days and 10-30 a.m. 1-00 p.m. on Saturdays. The Bankers' Clearing House Association in their reply, dated 26th September, informed the Committee that the clearings at the Reserve Bank of India would be held at 12-15 p.m. and 2-30 p.m. on week days and 11-45 a.m. on Saturdays.

In this connection, the Committee addressed on 15th October the G.I.P. and the B.B. & C.I. Railways for adjustment in suburban train timings in view of the changes in the working hours of the Reserve Bank of India and allied banking institutions as also the Government of Bombay from the 1st of October 1942. The Committee requested the Railway authorities to readjust their timings in respect of suburban trains for peak hour running in accordance with the changes in the working hours as above mentioned. The Railways in their replies stated that from enquiries made, they understood that only a few offices had changed the hours of working and that observations made by them regarding the movement of passengers during peak hours did not disclose the need for any substantial changes in the existing timings. The Railways added that the position was being watched and that, if necessary the question would be re-examined in the light of further experience.

Reciprocity Bill in the Central Legislative Assembly.

The Government of Bombay by their communication dated 15th December 1941, invited the views of the Committee on the Reciprocity Bill introduced in the Central Legislative Assembly by Mr. Govind V. Deshmukh. The Bill sought to provide that persons domiciled in British possessions would be entitled to only such rights and privileges as regards entry, residence, franchise, etc. as were accorded by the law of the country concerned to persons of Indian domicile. The Committee in their reply, dated 23rd January, stated that they were in agreement with the principles underlying the said Bill.

Non-Official Committee for Controlling A.R.P.

In a communication, dated 6th May 1942, addressed to the Government of Bombay the Committee referred to the correspondence between the Government of Bombay and the Bombay Municipal Corporation with regard to the appointment of a non-official Committee to collaborate in the control of A. R. P. and civil defence measures. With a view to clear the misunderstanding created by the interpretation of Government in respect of the advisability of the appointment of such a Committee, the Committee of the Chamber informed Government that the idea of the Municipal Corporation was not to take the full control of civil defence measures, but that the non-official Committee as suggested by them should take up the control of A. R. P. services such as mobilisation of public efforts by means of propaganda for self-defence, organising first-aid training, and first-aid posts, forming rescue parties, etc., and leave the Civil Defence measures of a military and semi-military type to Government themselves. It was suggested that if such tasks as above stated were handed over to the representatives of the Municipal Corporation and such other public bodies a measure of public enthusiasm would be created which was evidently found lacking under the present arrangement. Subsequently, Government accepted the proposal and constituted a Joint Civil Defence Committee. The Committee nominated Mr. J. C. Setalvad, President of the Chamber as their Representative on the Joint Civil Defence Committee.

Alleged Proselytising Activities in the St. Sophia College.

The attention of the Committee was drawn to the reports about certain alleged activities of proselytising in St. Sophia College, Bombay. The Committee requested Mr. Mangaldas B. Mehta, representative of the Chamber on the Senate of the University of Bombay to take up the question in that body.

Withdrawal and Slaughter of Prime Cattle for Military Purposes.

The Committee were informed that a large number of prime cattle were being purchased and withdrawn for military purposes. They thereupon addressed the Government of India on 15th October 1942, expressing their apprehension that if such cattle were removed from agriculture and slaughtered for providing food to the army as also exported outside the country for military needs such would mean a serious drain on the agricultural wealth of the country. A reply dated 27th November 1942, was received from Government stating that slaughter of working bullocks in a good state of health below the age of 10 years, cows in milk and pregnant cows would be prohibited.

Exchange of Information regarding Scientific and Industrial Research between India and U.K.

In a communication dated 28th February 1942, the Committee enquired of the Board of Scientific and Industrial Research whether there was any reciprocal exchange of information regarding scientific and industrial researches between India and U.K. The Board in their reply, dated 21st March, informed the Committee that they received annual reports regarding researches from the Department of Scientific and Industrial Research in London which were distributed to the various official and semi-official research institutions in India for their information and use. The Committee thereupon addressed the University School of Technology, the Royal Institute of Science and the Technological Laboratory of the Indian Central Cotton Committee as also the Director of Industries, Bombay, desiring to know whether the information stated as above was being received by them. Subsequently the Committee were informed that such information would be circulated along with the survey of Scientific and Industrial Research published by the Council of Scientific and Industrial Research.

Evacuation Facilities for Indians in Burma.

In a telegram dated 30th January 1942, addressed to the Government of India, the Committee drew their attention to the difficulties experienced by Indian evacuees anxious to return from Rangoon to India and referred to the unsatisfactory arrangements of allowing of only one male member accompanying five women and children coming to India. They referred to the unhelpful attitude of the Agents of the Government of India in Rangoon in regard to facilities being provided to Indian evacuees and urged to provide more passenger ships to bring Indians from Burma to India as many of them were compelled to stay away even though they had no work. In a further telegram, dated 18th February, addressed to the Government of India, the Committee urged that immediate steps should be taken to open a land route from Burma to India to provide facilities for evacuees to come by land. Government in their reply dated 23rd February informed the Committee that two land routes from Burma to India one *via* Prome and Tangup to Chittagong and the other *via* Tamu to Imphal (Manipur) were already open.

Interview with the President of the Burma Indian Chamber of Commerce.

The Committee had an interview with Mr. Virji Dahya, President of the Burma Indian Chamber of Commerce, on the 17th February 1942, who gave a brief account of the happenings in Burma as a result of the war developments. It was stressed that Government should be persuaded to take immediate steps to provide facilities for Indian nationals to return to this country.

Evacuees Relief Committee in Bombay.

At the request of the Central Indian Evacuees Relief Committee appointed by the Federation of Indian Chambers of Commerce and Industry the Committee convened a conference of the important commercial organisations in the city to consider the question of starting an Evacuees Relief Com-

mittee in Bombay with a view to co-ordinating efforts of the various commercial organisations in this direction. Consequently a Relief Committee for Bombay has been appointed to look after the welfare of the evacuees and to consider such matters as might fall within the purview of the Committee.

Appointment of European Evacuees to Posts under the Government of India.

The Committee in a telegram dated 23rd July addressed to the Government of India referred to the responsible appointments given to European evacuees under the Government of India and regretted that such action on the part of Government would deprive the just right of the Indian nationals and limit the opportunities available to Indian evacuees. Besides, in the opinion of the Committee, such action was against the accepted policy of indianisation of Services. The Committee also regretted that the obligation of looking after the interests of European evacuees undertaken by His Majesty's Government should have been neglected in case of Indian evacuees.

Restriction on Emigrants from India to Aden.

The Committee had addressed the Government of India regarding the imposition of certain restrictions by the Government of Aden on emigrants from India to that country as published in the report of the Committee for the year 1941. Government in their reply dated 29th January informed the Committee that the emigration restrictions imposed by the Government of Aden were of general application and were intended purely to be as a temporary war measure. It was added that such restrictions applied equally to all the British subjects and not to Indians alone.

Rents in the City.

The Collector of Bombay in his letter dated 13th January desired the views of the Committee with regard to the existing

position of rents in the City especially in respect of godowns and enquired whether any restriction of rents was necessary. The Committee in their reply dated 21st January stated that rents in respect of premises used for commercial purposes as also for godowns had undergone a general increase. Regarding godowns in particular the demand had increased abnormally owing to several causes. The Committee did not consider any general restriction necessary, but if Government, after full investigation, considered that the increase in some localities was exhorbitant, restriction might be imposed in those localities. It was urged that under no circumstances retrospective effect should be given to any such restriction.

Advisory Board of the Sydenham College of Commerce and Economics.

The Committee reappointed the Honourable Sir Rahimtoola M. Chinoy as their Representative on the Advisory Board of the Sydenham College of Commerce and Economics for a further term of 3 years from May 1942.

War Risks (Factories) Insurance Ordinance Advisory Committee.

The following persons were elected as the Representatives of the Federation of Indian Chambers of Commerce and Industry, on the Advisory Committee under the War Risks (Factories) Insurance Ordinance :

Mr. J. C. Setalvad, Mr. Lakshminivas Birla and Mr. Sakerlal Balabhai.

Claims Committees under the War Risks Insurance Schemes for Bombay.

Mr. J. C. Setalvad was elected as a Representative of the Federation on the Claims Committees for Bombay under the War Risks Insurance Schemes.

Representative of the Federation on the Court of Indian Institute of Science.

The Committee cast their vote in favour of Dewan Bahadur C. S. Ratnasabhapathi Mudaliar for election on the above Body to which he has been subsequently elected.

Advisory Committee of the Royal Institute of Science.

Mr. Kapilram H. Vakil, Representative of the Chamber on the above Advisory Committee having resigned, Dr. M. S. Patel was elected to represent the Chamber on that Body for the remaining period of the current term, i.e. till 31st December 1943.

Advisory Committees for Coal and Coke.

In order to facilitate the supply of coal and coke to industries not in any priority list and for domestic use, the Government of Bombay proposed to put into effect a scheme which provided for the allotment of quotas to dealers in coal and coke, small industries and domestic consumers as also for the control of the prices. In this connection, two Advisory Committees were also appointed one for Coal and the other for Coke, with the Director of Industries, who is the Provincial Coal Controller, as the Chairman. The Committee of the Chamber were invited to nominate a representative on each of the two Committees. Accordingly, they nominated Mr. Thakorelal H. Vakil, as their representative on the Advisory Committee for Coal and Mr. Gordhandas G. Morarji on the Advisory Committee for Coke.

Panel of Advisers re: Priority Recommendations for the Importation of Textile Machinery.

The Committee appointed Mr. M. C. Ghia, M.L.A., as a Representative on the Panel of Advisers to assist the Assistant Director-General, Cotton Textile, in the matter of priority recommendations for the importation of textile machinery.

Yarn Advisory Committee.

The Committee nominated Mr. J. C. Setalvad, President of the Chamber as the Representative of the Chamber on the Yarn Advisory Committee for Bombay.

The Geological Survey Utilisation Advisory Committee.

Sir Abdul Halim Ghuznavi and Mr. Amritlal Ojha were elected as representatives of the Federation on the above Committee.

Chamber's Representative on the Indian Central Cotton Committee.

Sir Chunilal B. Mehta was re-elected as the representative of the Chamber on the Indian Central Cotton Committee for a fresh term of three years with effect from 1st April 1943.

Draft Resolutions for the 15th Annual Session of the Federation of Indian Chambers of Commerce and Industry.

The Committee forwarded to the office of the Federation draft resolutions under the following heads for inclusion in the agenda of the 15th Annual Session of the Federation :

1. Import and Export control.
2. Government Telephone Boards.
3. Transport shortage.
4. Loss of Export Markets.
5. Taxation through Utility Services.
6. Industrialisation.

Delegates to the 15th Annual Session of the Federation.

The Committee nominated the following gentlemen as delegates to attend the 15th Annual Session of the Federation of Indian Chambers of Commerce and Industry :

Mr. J. C. Setalvad (President),
„ Haridas Madhavdas (Vice-President),
„ M. C. Ghia, M.L.A.,
The Hon. Sir Rahimtoola M. Chinoy.

Indian National Committee.

The Committee nominated Mr. J. C. Setalvad, President to attend on behalf of the Chamber, the 13th Annual Meeting of the Indian National Committee of the International Chamber of Commerce, at Delhi.

Seth Lakhmidas Rowji Tairsee Memorial.

The Committee accepted the offer of the late Seth Lakhmidas Rowjee Tairsee Memorial Committee of a portrait of Seth L. R. Tairsee to be placed in the Committee Hall and some fund for giving scholarships to students who came out successfully in the Commercial Examinations held by the Chamber. On 4th August 1942, the President, Mr. J. C. Setalvad, unveiled the oil portrait of the late Mr. L. R. Tairsee in the Committee Hall of the Chamber before a distinguished gathering.

The Commercial Examination Board.

The Commercial Examinations conducted by the Chamber in the various centres in India were held from 6th May 1942. The total number of candidates appeared at these examinations was 536. Out of this 95 passed in Diploma subjects while 204 passed in Certificate subjects. 38 candidates were granted exemptions in various subjects. 59 recognised institutions sent candidates for the examinations as against the same number last year. The examinations were held in the following 21 centres :

Bombay	Mysore	Mangalore
Poona	Bangalore	Nagpur
Ahmedabad	Trichinopoly	Junagadh
Surat	Coimbatore	Delhi
Karachi	Palghat	Lahore
Nasik	Dewas (J. B.)	Lashkar
Beawar	Bhagalpur	Moradabad

Obituary.

The Committee passed resolutions expressing their sorrow at the deaths of Sri Jamnalal Bajaj, Sri Mahadev Desai and Mr. Kaikobad Cowasji Dinshaw.

Membership of the Chamber.

At the beginning of the year there were on the Register 753 members. During the year 96 members were elected and 28 discontinued their membership (16 having resigned, 4 having been struck off from the rolls and 8 having died). There are thus 821 members now on the Roll.

Incidentally, it may be mentioned that there are at present 40 Associations affiliated to the Chamber.

Accounts.

The Statement of Accounts of the Chamber for the year ended 31st December 1942, with the auditors' report, is annexed hereto. It will be observed that a sum of Rs. 3,313 has been received as contribution from the representatives of the Chamber on various public bodies. The best thanks of the Committee are due to the gentlemen who have made these contributions.

THE INDIAN MERCHANTS' CHAMBER

Balance Sheet as at 31st December, 1942.

LIABILITIES	Rs. a. p.	Rs. a. p.	PROPERTY & ASSETS	Rs. a. p.	Rs. a. p.
CAPITAL FUND AND OTHERS:					
CAPITAL FUND:			FURNITURE & FITTINGS AT COST:		
			Upto 31-12-1941	18,950 3 6	
			Additions during the year	981 10 0	
				19,931 13 6	
Admission fee of ordinary members upto 31-12-1941	61,200 0 0		*Less* Depreciation Rs. upto 31-12-41 2,605 During the year 1,145	3,750 0 0	16,181 13 6
Admission fee of ordinary members during the year	5,200 0 0				
	66,400 0 0		MEASUREMENT DEPARTMENT: Furniture and Fittings at Cost		
Patron fee	5,000 0 0		upto 31-12-1941	460 12 0	
		71,400 0 0	Additions during the year	217 0 0	
Contribution from Messrs. Narrondas Manordas		20,000 0 0		677 12 0	
			Less Depreciation during the year	35 0 0	642 12 0
FUNDS EARMARKED FOR LIBRARY:			BOOKS FOR LIBRARY:		
			Upto 31-12-1941	23,764 6 0	
Sir Ibrahim Rahimtoola Entertainment Fund	1,300 0 0		Additions during the year	1,223 10 9	
				24,988 0 9	
Sir Purshotamdas Thakurdas Entertainment Fund	439 5 6		*Less* Depreciation Rs. upto 31-12-1941 3,313 During the year 1,665	4,978 0 6	20,010 0 9
B. F. Madon Portrait Fund	534 8 0				
Donation by Currency League of India	624 6 6		Subscriptions due from members		3,375 0 0
		2,896 3 6	ADVANCES:		
			A. R. P. Measures	7 0 0	
L. R. TAIRSEE MEMORIAL FUND:			Deposit with Central Publication Branch, Delhi	20 12 0	
			Loan to staff	3,364 0 0	
Donation 3,000 0 0 Interest 21 14 11					3,391 12 0
		3,021 14 11	INVESTMENTS: (Government Securities, etc. at Cost)		
			CAPITAL FUND: Rs. a. p.		
Commercial Museum Fund		50 0 0	5% Loan (1945-55) of Rs. 5,000 5,425 0 0		
Sundry Creditors for expenses		869 0 0	5% Municipal Loan (1959) of Rs. 10,000 8,862 8 0		
Subscriptions received in advance from members		875 0 0	3½% Loan (1947-50) of Rs. 29,000 30,848 12 0		
			Loan to L. N. Memorial Trustees 14,000 0 0		
INCOME AND EXPENDITURE ACCOUNT:			In Current Account with Central Bank of India 12,263 12 0	71,400 0 0	
Balance as at 31st December 1941 1,32,753 5 2			GENERAL:		
Add:			4% Port Trust Bonds (1960) of Rs. 2,000 2,025 0 0		
Excess of income over expenditure (as per annexed Account) (subject to Taxation) 29,856 9 7		1,62,609 14 9	2½% Loan (1948-52) of Rs. 20,000 20,025 0 0		
			3½% Loan (1947-50) of Rs. 9,000 9,573 12 0		
			Loan to L. N. Memorial Trustees 36,000 0 0		
			Fixed Deposit with Central Bank of India 15,000 0 0		
			5% Loan (1945-50) of Rs. 10,000 11,125 0 0		
			5% Loan (1945-50) of Rs. 10,000 10,825 0 0	1,04,573 12 0	
			4% Loan (1960-70) of Rs. 2,800 L. R. Tairsee Memorial Fund	2,996 0 0	
			CASH AND OTHER BALANCES:		
			In Current Account with Central Bank of India, Ltd. 14,667 0 0		
			In Current Account with Central Bank of India, Ltd., Surat Branch 10,023 7 6		
			In Current Account with Bank of India, Ltd. 13,654 0 11		
			Cash and Cheques on hand 810 6 6	39,152 14 11	
					2,18,122 10 11
Total Rs.	2,61,724 1 2			Total Rs.	2,61,724 1 2

ROYAL ASIATIC SOCIETY. BOMBAY BRANCH OF THE LIBRARY

THE INDIAN MERCHANTS' CHAMBER

Dr. *Income and Expenditure Account for the year ended 31st December, 1942.* *Cr.*

EXPENDITURE	Rs.	a.	p.	INCOME	Rs.	a.	p.
To :—				By :—			
Office Establishment	37,766	2	0	Membership Subscriptions	10,175	0	0
Insurance (Staff), Heating & Lighting Charge ...	1,069	7	5				
Telephone Charges	847	4	0	Contributions from Chamber's Representatives on various Public Bodies	3,313	1	0
Postage and Telegrams	3,174	2	3				
Stationery	3,088	4	9				
Printing Reports, etc. ...	6,140	7	0				
Do. Journal	5,585	4	0	COMMERCIAL EXAMINATIONS:			
Commercial Examinations, including Honorariums to Examiners, etc.	2,995	5	9	Examination Fees 5,595 8 0			
Subscriptions to Newspapers and Periodicals ...	842	1	3				
Upkeep of Library, including Binding Charges ...	120	2	0	Sale of Syllabus and Question Papers 89 2 6			
Conveyance Charges	428	3	9				
Chairs, etc. Hire	101	10	0				
Commission on Advertisements	556	7	3	Fees for recognition of Commercial Institutions 565 0 0			
Auditors' Fees	200	0	0				
Repairs to Typewriters, etc.	78	6	0		6,249	10	6
Membership Subscription to the Federation of Indian Chambers of Commerce and Industry ...	200	0	0	Interest on Investments and Current Accounts	5,399	7	0
Do. to the Indian National Committee of the International Chamber of Commerce ...	33	0	0	Fees for issuing Certificates of Origin, etc. ...	13,095	0	0
Contribution to the Indian Chamber of Commerce in Great Britain	29	5	0	Advertisements in Journal	2,963	8	0
Bank Charges	22	14	0				
Travelling Expenses	575	2	0	Subscriptions to Journal	203	5	6
Income-tax and Super Tax	4,451	10	0				
Miscellaneous Expenses	628	6	3	Sale of Members' List, etc.	177	0	0
Legal Charges	309	0	0				
Safe Custody Charges	97	0	0	Sundry Receipts	75	10	0
A. R. P. Expenses	616	11	0				
Rent and Maintenance Charges of Surat Office...	448	0	0	Arbitration Fees	76	12	0
Rs. a. p.							
MEASUREMENT DEPARTMENT:				MEASUREMENT FEES	26,814	2	0
Salaries and Wages 9,323 14 0							
Rent 180 0 0							
Rebate of Fees 3,741 7 6							
Printing and Stationery 594 14 0							
Postage 23 11 0							
Conveyance Charges 149 5 6							
Petty Charges 596 7 6							
Insurance (Staff) 186 0 0							
	14,795	11	6				
Membership Subscription written off ...	650	0	0				
DEPRECIATION:							
Furniture and Fittings 1,145 0 0							
Library Books 1,665 0 0							
Furniture & Fittings (Measurement Dept.) 35 0 0							
	2,845	0	0				
	88,685	14	5				
Balance being excess of income over expenditure transferred to Balance Sheet (subject to Taxation.)	29,856	9	7				
Total Rs.	1,18,542	8	0	Total Rs.	1,18,542	8	0

We have audited the foregoing Balance Sheet of the Indian Merchants' Chamber as at 31st December, 1942, and also the foregoing Income and Expenditure Account for the year ended upon that date; and report that—

(*a*) we have obtained all the information and explanations we have required;

(*b*) in our opinion, the foregoing Balance Sheet and Income and Expenditure Account are drawn up in conformity with the books;

(*c*) we have verified the investments; and

(*d*) such Balance Sheet exhibits a true and correct view of the state of the Chambers' affairs according to the best of our information and the explanations given to us and as shown by the books of the Chamber.

DEVIDAS VITHALDAS & CO.
Accountants & Auditors.

J. C. SETALVAD
President.

J. R. MEHTA
Secretary.

Bombay, 6th January, 1943.

LALJI NARANJI MEMORIAL INDIAN MERCHANTS' CHAMBER BUILDING TRUST

Revenue Account for the year ended 31st December, 1942.

	Rs.	a.	p.		Rs.	a.	p.
To Ground Rent	5,956	8	0	By Rent	22,480	0	0
Municipal Tax	6,452	3	6	*Less* Refund	250	0	0
Income Tax (in part payment)	1,465	0	0		22,230	0	0
Gas and Electric Charges	781	15	6				
Fire Insurance	189	11	0				
Salaries and Wages	1,246	9	0	Interest of Current Account	13	0	0
Maintenance and Repairs	1,145	10	0				
General Charges	169	4	0				
Bank Charges	0	2	0				
Postage and Stamps	10	0	0				
Interest	2,000	0	0				
Printing and Stationery	11	0	0				
	19,427	15	0				
Surplus during the year	2,815	1	0				
TOTAL Rs.	22,243	0	0	TOTAL Rs.	22,243	0	0

LALJI NARANJI MEMORIAL INDIAN MERCHANTS' CHAMBER BUILDING TRUST

Balance Sheet as at 31st December, 1942.

FUNDS & LIABILITIES	Rs.	a.	p.	Rs.	a.	p.	PROPERTY & ASSETS	Rs.	a.	p.	Rs.	a.	p.
Contribution from Donors:													
As per last Balance Sheet ...	1,79,039	12	0				**Building at Cost:**						
Additions during the year ...	2,000	0	0				As per last Balance Sheet ...	2,35,555	10	11			
				1,81,039	12	0	Additions during the year ...	292	0	0			
											2,35,847	10	11
LOAN SECURED BY HYPOTHECATION OF DOCUMENTS. (The Indian Merchants' Chamber)...			..	50,000	0	0	*Less* Refund			...	374	3	0
											2,35,473	7	11
INTEREST ACCRUED ON ABOVE ...			...	2.000	0	0	**Rents Outstanding:**						
							Considered Good			...	1,290	0	0
Liabilities:													
For Building Construction ...	3,000	0	0				PREPAID EXPENSES				1,579	9	0
For Expenses	1,509	2	0										
For Rent Deposit	765	0	0				LOAN TO EMPLOYEE ...			...	25	0	0
				5;274	2	0							
Revenue Account:							**Cash Balances:**						
As per last Balance Sheet ...	6,187	7	6				Cash at Bank Current A/c. ...	8,792	13	7			
Surplus during the year ...	2,815	1	0				Cash on Hand	155	8	0			
(Subject to Depreciation and Income-tax for 1941-42).				9,002	8	6					8,948	5	7
TOTAL Rs.				2,47,316	6	6	TOTAL Rs.				2,47,316	6	6

Bombay, 8th January, 1942.

Devidas Vithaldas & Co.
Registered Accountants,
Hon. Auditors.

J. K. Mehta
Hony. Secretary.

Chaturbhuj Gordhandas Soonderdas
Mathuradas Vissanji
Gordhandas G. Morarji
M. C. Ghia
J. C. Setalvad
} *Trustees.*

APPENDICES

I.—TRANSPORT AND COMMUNICATIONS

APPENDIX 1

Anglo-American Technical Mission on Ports and Shipping

Telegram dated 4th November 1942 from Chamber to Commerce Department, Government of India.

Committee Indian Merchants' Chamber have their attention drawn to a Press Note announcing the appointment of a Joint Anglo-American Technical Mission to investigate ports and shipping conditions on the West Coast of India and in other countries overseas. They deeply regret that such an important Technical Mission concerned with shipping should have no representatives of Indian shipping on it. The position of Indian shipping as Committee have often and often observed is by no means an enviable one and they have made appeals to Government in the past to improve the position of Indian shipping. Indian shipping could have been developed very much in these war times specially when whatever there is of Indian shipping has offered its fullest co-operation to Government. Unfortunately practically no encouragement has been given to Indian shipping as such nor to Indian shipbuilding and Committee are very much perturbed that the Technical Mission which is now appointed to examine conditions on West Coast of India is left without any representatives of Indian shipping and Indian commerce. This gives rise to natural fears that no steps will be taken either at present or in future to improve Indian shipping or to develop Indian shipbuilding. Not only this but a telegram published today announces that the Secretary to War Transport Department is to act as Government representative on this Mission. Committee recently protested against attempts to take away bluewater shipping from the Indian Member-in-Charge, Commerce Department, and to transfer it to War Transport Department. The step now proposed is practically tantamount to taking away bluewater shipping from the Commerce Department. Committee earnestly request that

bluewater shipping should not be taken away from Commerce Department, they further urge that accredited representatives of Indian Commerce and Indian Shipping should be associated with the work of this Mission as otherwise their interests will severely suffer. Committee request Government in all earnestness to take immediate action and stop such one-sided mission functioning and thereby doing serious and permanent harm to the national interests.

Letter No. 136-*M.T.W.* 2(42), *dated 26th November* 1942 *from Commerce Department, Government of India to Chamber.*

With reference to your telegram dated the 5th November 1942 on the above subject, I am directed to say that the Anglo-American Technical Mission is charged with the duty of recommending measures for the better co-ordination of existing facilities at the ports on the West Coast of India with a view to relieve congestion and secure the maximum use of shipping. These measures affect Indian and non-Indian shipping alike and there is no conflict of interests between them. The Mission has nothing to do with any policy which India may have in connection with Indian shipping either in the coastal or overseas trade. It is a technical Mission and is concerned solely with the technical problems of quicker handling of cargoes and the quicker turn round of ships in war-time. For this purpose, it is not considered necessary to have any representative of Indian commercial or shipping interests, but a technical representative for India has been appointed in the person of Mr. Burns, Deputy Chairman of the Calcutta Port Commissioners.

APPENDIX 2

Report of the Special Haj Enquiry

Letter No. 5642/163-*B*, *dated 22nd April* 1942 *from the Commissioner of Police, Bombay to Chamber.*

I have the honour to forward herewith a copy of the Special Haj Inquiry Report* by Mr. J. A. Rahim, I.C.S., and to request you kindly to favour me with your views on the recommendations made therein, for transmission to Government.

* Report not printed here.

Your reply may please be forwarded to me in triplicate by the 5th May 1942.

Letter No. 2402, dated 11th June 1942 from Chamber to the Commissioner of Police, Bombay.

I am directed by my Committee to acknowledge the receipt of your letter No. 5642/163-13 dated the 22nd April 1942, on the subject of the report of the Special Haj Enquiry and as desired therein, my Committee have to offer the following observations :—

The report examines three important questions connected with the pilgrim traffic and makes certain recommendations in connection therewith. They are first :

> the comforts, conveniences and amenities to be provided for the pilgrims at ports before embarkation and the provision of medical and other help which they may need before they proceed on their Haj.

My Committee are in general agreement with the recommendations made in this connection.

The second important question dealt with in the report refers to :

> the constitution and functions including the questions of finance and control of the Port Haj Committees which are established for the purpose of guiding, enlightening and protecting pilgrims in connection with all matters pertaining to the performance of their Haj and also helping them in securing for them such comforts, conveniences and amenities that they need and deserve in their voyage from India to Jedda and back.

My Committee have no particular views to offer in connection with the several recommendations made in the report in regard to this matter. They have, however, to point out to you that they cannot agree with the recommendation that those who are taking part in the management or direction of any business connected with the pilgrim traffic should not be eligible to be a member of a Port Haj Committee. As the most important work of the Haj Committee will be to secure better amenities and comforts on the pilgrim ships for those who wish to perform their Haj, consultation with and the

co-operation of the representatives of the shipping companies would considerably help in the attainment of this object. My Committee are, therefore, definitely of the opinion that the representatives of the shipping companies interested in the pilgrim traffic should have a place on the Haj Committees at different ports.

The third and the most important question raised in the report is the provision of better comforts, conveniences and social and other amenities on the ships engaged in the pilgrim service. Some of the recommendations are such as could be easily carried out by shipping companies without the addition of any substantial expenditure to the cost of their operations. My Committee would endorse such recommendations as they chiefly relate to the medical and sanitary and such other human needs of the pilgrims going to Jedda. There are, however, certain other recommendations which are no doubt considerably important from the point of view of the pilgrims. My Committee would particularly refer to the suggestion of sheathing in wood the between decks used for accommodating pilgrims, the elimination of the spaces immediately around the engine room casings from the space calculated for the accommodation of pilgrims, the necessity for investigating the possibility of providing pilgrims travelling in the lowest class with berth accommodation, the introduction of the numbered block system so that accommodation can be reserved for each pilgrim and the desirability of seeing that every pilgrim ship is capable of steaming at 12 knots per hour. If all these recommendations are translated into action, it is obvious that they will seriously reduce the carrying capacity of the pilgrim ships. It is a recognised principle of transport service that those who desire certain conveniences, comforts and amenities should be prepared to pay for them. My Committee are therefore of the opinion that these questions should be carefully examined from the viewpoint of the ability of the pilgrims to pay the amount of the passage fare which it will be necessary for the shipping companies to fix for running their ships in the pilgrim service and providing their ships with all such comforts and conveniences as are recommended in the report.

In addition to the further comforts and conveniences in regard to accommodation recommended by Mr. Rahim in his report, he has also made a mention of a Bill which passed in the Central Assembly last year making it obligatory on shipowners that they should hereafter provide 18 sq. ft. in place of 16 sq. ft. in the between decks for every pilgrim and that the space thus provided should be separately demarcated in individual blocks. My Committee regret Mr. Rahim has not examined in his report the effect of fixing this increased space on the carrying capacity of the ship and the consequent necessity of increasing the passage fare. The question of fixing an economic fare in the pilgrim service has been raised both by the members of the Central Legislature as well as by the Port Haj Committee and my Committee would, therefore, strongly urge upon the Government of India the necessity of calling a Conference of all the representatives of the Haj Committees and the shipping companies so that all such comforts and amenities as proposed in the report which go to reduce the carrying capacity of the ship might be examined in the light of the necessity of fixing an economic fare for the pilgrim service. It is obvious that these recommendations, however desirable they may be, cannot be translated into action unless and until the question of the necessity of fixing an economic passage fare resulting therefrom has been carefully examined and definitely settled. My Committee are opposed to the proposal in recommendation No. 75 for the levy of a Registration fee not exceeding Re. 1 for every pilgrim.

My Committee would like, in passing, to observe that while they appreciate the keen interest which the Government of India have been evincing for the welfare and the comfortable travelling of the pilgrims, they have no doubt that they would take the same living interest in considering the welfare and providing for the needs, comforts and amenities of the devotees professing different faiths proceeding to their pilgrimages in this country.

There is one point on which my Committee would like to have information. As a general rule, the views of this Chamber are invited direct by the Government of India. My Committee would, therefore, be glad if you will kindly enlighten them as to why their views are invited on the report of the

Special Haj Enquiry made by an Officer appointed by the Government of India, through you.

Letter No. 8833/163-N, dated 29th June 1942 from the Commissioner of Police to Chamber.

With reference to last para of your letter No 2402 dated 11/12th June 1942, I write to request you to inform your Committee that I address you in the matter for the sake of convenience, at the instance of Government who require the views of your Committee.

APPENDIX 3

Transfer of "Shipping" to the Department of War Transport

Telegram dated 22nd July 1942 from Chamber to Private Secretary to H. E. the Viceroy, New Delhi.

Committee Indian Merchants' Chamber have seen the resolution dated nineth July regarding the constitution of the War Transport Department. They learn that bluewater shipping, both coastal and overseas, is proposed to be transferred from the Commerce Department to the War Transport Department. They have received this news with serious apprehension and request Government to be pleased to clarify their intentions in this connection. Both coastal and overseas shipping have remained in charge of the Commerce Department for several years past and my Committee consider that they should continue to be under that Department in future also in the interests of trade, commerce and industries of this country. The most proper solution in the opinion of my Committee is that railways, inland water transport, coastal and overseas shipping and ports should be under the Commerce Department which looks after trade, commerce and industries of the country and should always be in charge of an Indian. Committee consider that if coastal and overseas shipping are transferred to War Transport Portfolio such a step will be retrograde and reactionary, the more so as under the present arrangement a non-Indian is placed in charge of War Transport. My Committee therefore strongly and emphatically request His Excellency to be pleased to continue coastal and overseas shipping under the charge of

the Commerce Department as has been the case for the last several years.

APPENDIX 4

Merchant Navy Reserve Pool

Letter No. 572, dated 19th January 1942 from the Shipping Master, Bombay to Chamber.

I have the honour to enclose herewith the Ministry of War Transport Notice No. M.198 and to request you to let me have at an early date your views as to whether there is anything in the order which can or need be made applicable to India.

"THE MERCHANT NAVY RESERVE POOL"

THE ESSENTIAL WORK (MERCHANT NAVY) ORDER, 1941

Reasons for the Reserve Pool and Its Advantages

1. The Government, after consultation with the Joint Consultative Committee representing the Trades Union Congress and the British Employers' Confederation, have decided that special arrangements must be made to secure that men shall be employed on that work in which they can best assist the country's war effort. With this object regulations are being made which, on the one hand, prevent men from leaving undertakings engaged on essential work without the permission of a National Service Officer appointed by the Minister of Labour and National Service, and secure the transfer to those undertakings of men not engaged on equally important work, and, on the other hand, secure that a man so engaged shall not be discharged during the war from his employment (except for serious misconduct) without the consent of the National Service Officer.

2. No work is more essential for the successful carrying on of the war than that of the Merchant Navy. The need for turning ships round speedily has, however, meant that many officers and men have been unable to get adequate leave ; and experience has shown that a proper reserve of trained personnel ready for immediate service is essential if officers and men are to get proper leave and if delay to shipping is to be avoided.

3. After full discussion, the Owners' and Officers' and Men's Societies have now made arrangements which will ensure :—

(a) continuity of employment ;
(b) longer leave on pay ;
(c) payment of wages whilst awaiting appointment to a ship ; and
(d) the building up of a reserve of officers and men available for appointment to ships and for relief duty on ships in port.

4. These arrangements are being brought into operation by the Agreements reached by the National Maritime Board on the 30th April 1941, and the Essential Work (Merchant Navy) Order, 1941, made on the 1st May. The Order and the Agreements come into force on the 26th May. The arrangements impose drastic restrictions on the employer's freedom to discharge and on the employee's freedom to leave his employment, but the Government are confident that owners, officers and seamen in the Mercantile Marine will readily accept these restrictions as part of the price of victory.

Membership of the Reserve Pool

5. Under the Essential Work (Merchant Navy) Order, 1941, all officers and men who, on the 26th May 1941, are serving on ships on agreements opened in the United Kingdom will, on the termination of their agreements, become members of the Merchant Navy Reserve Pool unless re-engaged for employment with the same company. On discharge from their ship they will be granted leave on pay (see paragraph 11). They will be told by the Superintendent of the date on which and the place at which they must report for duty. On the conclusion of leave an officer or man will until reappointment to another ship be available for relief or other duties in port.

6. Under the provisions of the Order all officers and men who have been discharged from a ship in the United Kingdom since the 28th April 1941, automatically enter the

Reserve Pool. They should report to the nearest Mercantile Marine Office on or before the 26th May.

7. In addition the Minister of Labour and National Service has published a Notice which requires all persons (other than fishermen) between the ages of 18 and 60 who have served at sea since the 1st January 1936, and who are not so serving on the 26th May to register at Employment Exchanges at the beginning of the week commencing on that date. These men who are unemployed and those who are engaged in shore occupations but would be more usefully employed in the Merchant Navy will be required, if necessary, to join the Reserve Pool. Those in employment should, however, not leave their present employment unless and until they are called upon to do so.

8. Officers and men in the Reserve Pool may only be discharged or resign from the Reserve Pool with the consent of the National Service Officer, except in the case of discharge for serious misconduct, where the consent of that officer is not required. They will, however, have a right of appeal to an independent tribunal against any decision of the National Service Officer to refuse permission to leave the Reserve Pool or to discharge them from the Reserve Pool. They will be guaranteed employment, subject to the above, for the duration of the war.

Administration of the Reserve Pool

9. The Reserve Pool will be managed by the Shipping Federation (assisted by the Employers' Association of the Port of Liverpool) but in all appointments to ships or for relief duties, all applications for permission to leave employment in the Merchant Navy, and all questions relating to discharge from the Merchant Navy, the Federation can act only with the approval of the Officers' and Men's Societies concerned. Thus under these arrangements owners on one hand and officers and men on the other will co-operate in setting—

(a) the duties to which members of the Reserve Pool may be appointed ;

(b) the instructions issued to members of the Reserve Pool as to the place, time, etc., at which they are to report ;

(c) the appointment of officers and men to a ship ; and
(d) the discharge of officers and men from the Reserve Pool.

10. In the administration of the Reserve Pool every effort will be made to arrange that officers and men are appointed to service of the type to which they have been accustomed, but in time of war delays to ships must be avoided. There is, however, nothing in the new arrangements to prevent an officer or man from being re-engaged to serve on his old ship when this is mutually desired, provided the re-engagement follows immediately the discharge or the leave to which the officer or man is entitled.

Details of the Reserve Pool Scheme Leave

11. Officers will be entitled to 2½ days and ratings to 2 days for each completed month of service on Articles. For part months an officer will receive 1 day's leave for each 12 days' service and a rating 1 day for each 15 days' service. Short leave granted during the currency of Articles will not count as leave if it is less than 72 consecutive hours in the case of officers in the foreign-going trade or 48 consecutive hours in the case of officers in the home trade and in the case of ratings. By mutual consent leave may be taken in advance of the time at which it becomes due. All previous National Maritime Board leave agreements are suspended except the "Special Leave" agreement for officers.

Travelling

12. Where an officer or man takes leave during the currency of an agreement, or at the end of an engagement if returning to the same employment, he will be entitled to a travel voucher enabling him to travel at a cheap rate.

13. Where an officer or man is discharged and is not returning to the same employment but is entering the Merchant Navy Reserve Pool, the Natoinal Maritime Board Rail Fare Clause will apply for the journey to the port of engagement or his home (if nearer). If there is no obligation on the owner under the Rail Fare Clause to provide a free ticket, the officer or rating proceeding on leave will obtain a leave voucher for the single journey.

Note.—The Ministry of War Transport will refund once a quarter the cost of the ticket purchsaed by an officer or rating proceeding on leave and utilising one of the leave vouchers. Only one refund will be granted in each quarter of the calendar year. (For further details see Ministry of Shipping Notice No. M.187, which remains in operation except that the number of refunds possible in a year has now been increased from two to four).

14. When journeys are made after leave on the instructions of the Reserve Pool Administration, free travelling facilities will be supplied.

Pay Whilst in the Reserve Pool

15. An officer (other than a Master) will when in the Reserve Pool receive 85 per cent of the basic rate of pay earned by him during his last engagement on articles except that if he has not been at sea since the 28th April 1941, he will receive 85 per cent of the basic National Maritime Board rate applicable to his rank in the vessel on which he last served, but without seniority pay.

16. A Master will be registered for record purposes as a Master but will rank and receive pay in the Reserve Pool as a Chief or First Officer (see para. 15). If, however, a Master has served as such continuously for two years immediately before entering the Reserve Pool, his Reserve Pool pay will be the full basic rate of pay (with full seniority) of the Chief or First Officer of the ship in which he last served.

17. Ratings will receive the standard weekly rates of pay fixed by the National Maritime Board (finding own food). When in employment on a ship in port they will receive the appropriate port rate of pay if higher than the pay they would ordinarily have received as members of the Reserve Pool.

18. Officers and men will not receive Reserve Pool pay for any period during which they are not available to perform the services required from them as members of the Reserve Pool, except as provided in para. 27 below.

Pay Whilst Studying for Examinations or Attending Courses

19. Navigating and engineer officers whilst attending an approved school for the purpose of taking examinations for Certificates of Competency or whilst taking these examinations, will receive pay at Reserve Pool rates for periods up to six weeks.

20. Apprentices whose indenture have expired, and cadets will receive £2 a week up to six weeks whilst studying for the Second Mate's Certificate.

21. Ratings who apply for leave to attend an approved Navigation or Cookery School or other approved course will be entitled to pay at the Reserve Pool rate up to six weeks.

22. Officers and men in the Reserve Pool who are instructed to attend courses will receive Reserve Pool pay whilst attending those courses.

Subsistence Whilst Awaiting Appointment to a Ship

23. Officers will not receive subsistence whilst they are at their own homes, but if called upon to report at a port away from home will receive allowances at National Maritime Board or other appropriate rates for accommodation and food for the period during which they are in that port.

24. Ratings will under the arrangements set out in paragraph 17 receive in their wages an allowance of N.M.B. rates for food. If, while awaiting appointment to a ship they are required to find accommodation in a port away from home they will receive a lodging allowance.

Provision for Sickness, Injury and Shipwreck, War Injury

25. Officers and men suffering from sickness or disablement attributable to war injury will be dealt with under the War Pensions Scheme and under Ministry of Shipping Notice No. 179. If at the time when the war injury was sustained the ship on which the officer or seaman was serving was lost or wrecked by enemy action, a minimum of one month's pay (including War Risk Money and Differential Money) will be paid in accordance with the Notice. Disability allowance will not be paid by the Ministry of Pensions during that month. In the event of disablement continuing after the

expiration of one month the disability allowance then awarded by the Ministry of Pensions will be supplemented for the second month by the difference between a total disability award and full wages. If disablement continues beyond the second month, the Ministry of Pensions disability award will continue in payment.

Other Cases of Injury

26. Officers and ratings suffering from disablement due to an injury other than a war injury will be dealt with in accordance with usual practice.

Other Cases of Sickness

27. Officers unable to carry out their duties owing to sickness when retained by Companies will be dealt with in accordance with the usual practice of those companies. In other cases officers will receive Reserve Pool pay less N.H.I. benefit, if any, during the period of sickness up to a limit of two months in any twelve months. Where an officer receives N.H.I. benefit as a voluntary contributor, no deduction will be made in respect of that benefit.

28. Ratings will receive sickness benefit under N.H.I. conditions.

Loss or wreck of ship by enemy action

29. A minimum of one month's extra wages will be paid to officers and men in accordance with Ministry of Shipping Notice No. M.179, whether or not they immediately take further employment. Where return to the United Kingdom is unavoidably delayed, otherwise than through the fault or misbehaviour of the officer or man, the payment of extra wages will be continued until such return, unless the return is delayed for an abnormally long period, when the case will be considered on its merits.

(As to cases in which "war injury" is sustained by officers and men, see paragraph 25.)

Loss or wreck of ship by marine peril

30. The Provisions of the Merchant Shipping Act, 1925, will apply to those officers and men landed abroad whose

pay is not continued by the employing Company. Payment will be made at the Reserve Pool rate after the period of two months provided for by that Act has expired, if the officer or man has not previously returned to the United Kingdom.

31. Officers and ratings landed in the United Kingdom (if not on continuous pay from their Companies) will receive two weeks' indemnity at the full rate appearing in articles, after which they will receive Reserve Pool pay until further employment is obtained.

Letter No. 667, dated 5th March 1942 from Chamber to Shipping Master, Mercantile Marine Department, Bombay.

I am directed to refer to your letter No. 572 dated 19th January 1942, on the above subject forwarding a copy of the Ministry of War Transport Notice No. M.198, and to send to you hereby the views of my Committee on the subject-matter of that notice.

While my Committee recognise that the Indian Merchant Marine is not in a position to bear any financial burdens arising out of the scheme like the Merchant Navy Reserve Pool as the British Shipping with its powerful resources is able to bear, they are anxious that steps should be taken to remove the acute shortage of officers and engineers which is being felt by Indian Shipping Companies in India during the present times. They suggest that Government should formulate a scheme for the Merchant Navy Reserve Pool for India in the light of the existing shortage of officers and engineers and the peculiar conditions under which Indian shipping has to exist. The scheme thus framed should be circulated to the Chambers of Commerce and Shipping Companies for their observations. The principal point to be borne in mind is that there must be a continuous flow of officers and engineers not only for manning the ships of the Merchant Navy, but for the various other demands of Government. On the one hand the shipowners should be ensured that there will be a sufficient number of officers and engineers to man the ships and on the other hand officers should be assured that they will have a continuity of employment. The scheme should be so based as could satisfy the above two broad points.

My Committee request that Government may be pleased to draft such a scheme and circulate the same for the information of the interests concerned.

APPENDIX 5

Anti-Sabotage Protection for Vessels in Ports

Letter No. 16|95 *H.D., dated* 18*th February* 1942, *from Dy. Commissioner of Police and Secretary, Security Measures Committee to Chamber.*

I have the honour to state that the Government of Bombay, at the request of the Government of India, have appointed a "Security Measures Committee" whose business it is to investigate all matters connected with the Bombay Port Trust Docks concerning Sabotage and Espionage.

This Committee has investigated the question of the possibility of sabotage taking place on ships lying in the docks. In this connection it is found that in Calcutta there is in existence an Anti-Sabotage Squad recruited by the Commissioner of Police, Calcutta, at the request of the shipping concerns there. This Squad is under the direct supervision of two Police Officers. Apparently the payment for this establishment is made in the first instance by the B. I. S. N. Co. It is, however, not known whether the payment is made from a pool to which all the other Companies subscribe, but this is believed to be the case.

I attach herewith copies of certain correspondence passed between this office and the Commissioner of Police, Calcutta, on the subject.* This provides full details of the scheme and the distribution and duties of the Squad.

The P. & O. and B. I. S. N. Steamship Lines have in Bombay such a squad which is called the Watch and Ward Department and is conducted very much on the lines of the Anti-Sabotage Squad employed in Calcutta.

The Security Measures Committee have after considerable discussion, adopted the resolution shown below. I would request that in view of the present emergency you kindly

* Not printed.

give this matter your earnest consideration and let me know as early as possible if you could agree to the introduction of such a scheme in Bombay and whether you have any proposals to make in connection with the strength of the establishment required and the duties to be performed by them, etc.

Resolution: "It is recommended that the scheme already in force in Calcutta (modified as necessary for local conditions) of providing Anti-Sabotage Squads for the protection of all vessels in port should be fully considered and brought into force as early as possible in the Port of Bombay.

The Bombay Chamber of Commerce and the Indian Merchants' Chamber and Bureau should be asked to co-operate to the fullest extent in this matter through their Shipping Sub-Committees as we understand was arranged in Calcutta."

Letter No. 668, *dated* 5*th March* 1942, *from Chamber to Dy. Commissioner of Police and Secretary, Security Measures Committee.*

I am directed to acknowledge receipt of your letter No. 16|95|HD of 1942 dated the 18th February 1942, on the above subject.

My Committee have consulted their Shipping Sub-Committee on the proposals contained therein and approve of the suggestion for having a Squad for preventing sabotage of vessels in port. They also understand that Indian Shipping Companies would be willing, if necessary, to bear a part of the cost of such a Squad.

My Committee therefore suggest that Government should, in consultation with the Shipping Interests, formulate the necessary scheme and put the same into operation as early as possible.

Letter No. 9402|116, *dated* 10*th July* 1942, *from Dy. Commissioner of Police and Secretary, Security Measures Committee to Chamber.*

With reference to the correspondence ending with your No. 668, dated the 5th March 1942, on the subject of Anti-Sabotage Protection for Vessels in Ports, I have the honour

to inform you that the Government of India, have now issued a notification under sub-rule (1) of rule 62AA of the Defence of India Rules making it encumbent on masters of all ships to provide guards on each gangway and on each open ship's hatch.

2. Under the circumstances the Security Measures Committee now consider the Notification of the Government of India, quoted above, provides the security they had in view, therefore, it is not necessary to continue with the proposals mentioned in the above quoted correspondence. If, however, the ships' owners or agents would care to relieve the Captains of the responsibility of providing for these guards from among the members of the crew, and would prefer to continue with the proposals of forming Anti-Sabotage Squads for this purpose, my Committee would be pleased to render any assistance required. It should, however, be understood that the ships' companies concerned would be required to bear the whole cost of maintenance of such a Squad.

APPENDIX 6

Theft and Pilferage of Cargo

Letter No. 290-A|26, dated 8th April 1942, from the Secretary, The Bombay Underwriters' Association to Chamber.

I give below an extract from *Austral News*, the monthly publication of the Australian Government Trade Commissioner in India :—

"**Pillaging of Cargoes.** In this World War—as in the previous one—the evil of cargo-pillaging is assuming grave proportions. The question came up for consideration at the Annual Meeting of the Australian Associated Chambers of Manufacturers of Australia, when a resolution—drawing the attention of shipping companies to the growing menace and urging the prompt taking of steps effectively to deal with the problem—was unanimously adopted.

Subsequently—at a largely attended meeting convened by the Overseas Shipping Representatives' Association—it was decided to set up a committee to prepare plans to deal with

the situation. This Committee—representing shipping interests, industrial and commercial organizations—is making a careful study of the methods adopted during the last war to overcome a similar difficulty—which methods were found to be very effective."

and am directed to enquire whether you are taking any action in the matter since it is felt that conditions at most ports are similarly affected.

In the event of no improvement being possible the Committee feel that considerably increased insurance rates will result.

Letter No. 1137, *dated* 18*th April* 1942, *from Chamber to the Chairman, Bombay Port Trust.*

The attention of the Committee of this Chamber has been drawn to an extract from the *Austral News,* a monthly publication of the Australian Government Trade Commissioner in India, Simla :—

"**Pillaging of Cargoes.** In this World War—as in the previous one—the evil of cargo-pillaging is assuming grave proportions. The question came up for consideration at the Annual Meeting of the Australian Associated Chambers of Manufacturers of Australia, when a resolution—drawing the attention of shipping companies to the growing menace and urging the prompt taking of steps effectively to deal with the problem—was unanimously adopted.

Subsequently—at a largely attended meeting convened by the Overseas Shipping Representatives' Association—it was decided to set up a Committee to prepare plans to deal with the situation. This Committee—representing shipping interests, industrial and commercial organisations—is making a careful study of the methods adopted during the last war to overcome a similar difficulty—which methods were found to be very effective."

The Bombay Underwriters' Association have written to my Committee to the effect that in the event of no improvement being possible, their Committee feel that considerably increased rates of premium will result. My Committee are communicating this to you, for your information, and requesting

you to be good enough to take such suitable steps as to prevent pilfering of cargo on the wharves and the docks. While they realise that the Port Trust is doing its best in this direction, my Committee feel that, in the interests of trade and commerce, much more stringent steps may well be taken. Pilfering of cargo is vastly injurious to trade and commerce and if the pilfering goes on there is a danger of insurance rates being increased by insurance companies.

Letter No. 1146, *dated* 20*th April* 1942, *from Chamber to the Shipping Companies.*

1. Messrs. Mackinnon Mackenzie & Co., Agents, P. &. O., and B. I. S. N. Co., Ltd.
2. Messrs. Turner Morrison & Co., Agents, Mogul Line, Ltd.
3. Messrs. Volkart Bros., Shipping Department, Bombay.
4. Messrs. Killick Nixon & Co., Shipping Department, Bombay.
5. Messrs. Scindia Steam Navigation Co., Ltd., Bombay.
6. Messrs. Bombay Steam Navigation Co., Ltd., Bombay.

I am directed by my Committee to send to you hereby a copy of a letter which they have received from the Bombay Underwriters' Association on the above subject. The Association emphasises that unless the interests concerned devote greater attention to eradicate the evil, they will be obliged to increase the premium rates. In order to avoid any such contingency, it is necessary that shipping companies should take adequate steps so that chances of theft or pilferage of cargo while on voyage or in ports may be minimised.

My Committee have also addressed the Bombay Port Trust authorities in the matter.

APPENDIX 7

Appointment of a Non-Indian as Assistant Indian Shipping Adviser

Letter No. 3532, *dated* 17*th October* 1942, *from Chamber to Commerce Department, Government of India.*

The attention of my Committee has been drawn to the action recently taken by the Government of India in appoint-

ing Mr. R. Collinson as Assistant Indian Shipping Adviser. In this connection, it may be recalled that in the year 1940 when Captain H. L. Davis was appointed as the Indian Shipping Adviser, they had protested against the same and had expressed themselves against the policy of appointing non-nationals to such key posts. They had also occasion to comment on the various special appointments given to non-Indians in connection with the war. In their letter No. 2128 of the 19th September 1942, they had made it clear that apart from grounds of nationalism and sentiment, the appointment of non-Indians to such important posts was likely to go counter to Indian interests. These views were, in general, shared by other commercial and industrial bodies in the country and were also given expression to in the Central Legislature. It is a matter for no small regret that, notwithstanding the clear indication of public opinion in this country, the Government of India should persist in appointing non-Indians to such posts. My Committee, therefore, wish again to reiterate their objection in general to the policy of giving important appointments to non-nationals and in particular to put on record their strong protest against the appointment of Mr. Collinson as Assistant Indian Shipping Adviser.

Mr. Collinson was, previous to his present appointment, in the Bengal Pilot Service. The work in that service can hardly be a qualification for the post of the Assistant Indian Shipping Adviser. Moreover, it cannot be claimed that Government could not have secured the services of Indians from that service. My Committee, on the other hand, are reliably informed that a number of capable and qualified Indians could have been found for this post. The work which the Indian Shipping Adviser has ordinarily to do requires acquaintance also with commercial matters and particularly of commercial shipping problems, and certain administrative experience. It cannot be suggested that an officer in the Bengal Pilot Service has special opportunities of having such experience. The appointment cannot be, therefore, justified even on the common excuse of Mr. Collinson being an expert in the type of the job which he is expected to do.

My Committee have to request Government to reconsider the step they have taken and to arrange for the appointment of an Indian as Assistant Shipping Adviser.

Letter No. 160-M.I.W.(12)|42, dated 6th January 1943, from the Secretary, Commerce Department, Government of India to Chamber.

I am directed to state that when the Hon'ble the Commerce Member recently visited Bombay, your Chamber represented to him the desirability of appointing an Indian to the post of Assistant Indian Shipping Adviser. In this connection, the Government of India would be glad if your Chamber would furnish them with the names and qualifications of a few Indians who are considered suitable and willing to be appointed to the post. The sanctioned rate of pay of the post for one not already in Government service is Rs. 500 per month.

Letter No. 208, dated 20th January 1943, from Chamber to Commerce Department, Government of India.

I am directed to acknowledge the receipt of your letter No. 160-M.I.W.(12)|42, dated the 6th January 1943, on the above subject, and note the information which you require in connection therewith.

My Committee are glad to note that Government want to appoint an Indian as Assistant Indian Shipping Adviser. They are asked to suggest, in this connection, names of suitable Indians willing to be appointed to the post. They believe that Government are not unaware that suitable and qualified Indians are available in India who could be appointed both as Indian Shipping Adviser as well as Assistant or Joint Indian Shipping Adviser. They are reliably informed that responsible officers of Government had made enquiries from the heads of important Indian shipping companies as to whether they would be able to spare any of their officers for the post and they were told that they would be prepared to lend the services of their officers for such posts. Perhaps, the names which my Committee may submit may be the same as they are naturally required from the Indian shipping companies.

My Committee would, however, like to draw your attention to the fact that the sanctioned rate of pay for the post for one not already in Government service is Rs. 500 per

month, while they understand that the salary paid to the present non-Indian incumbent is over Rs. 1000. They are further reliably informed that the rate of pay indicated in the recent informal enquiry referred to above was far higher than the pay sanctioned in your letter under reference ; and my Committee apprehend that to offer a far lower salary to a qualified Indian than the pay offered to one now in Government service will defeat the policy of Indianisation, as it is not likely that suitable men will be forthcoming for accepting the post on such discriminating terms.

My Committee, therefore, will not be able to suggest any names, unless Government accept the position that the Indian incumbent to the post will be given the same emoluments, and enjoy and exercise the same rights and powers as are drawn and exercised by the non-Indian official at present occupying the post.

APPENDIX 8

Traffic by Country Craft

Letter No. 3, *dated* 11*th August* 1942, *from Dr. H. T. Sorley, I.C.S., Officer on Special Duty with Government of India to Chamber.*

As you are probably aware the Government of India have deputed me to investigate the possibilities of increased traffic by country craft on the West Coast of India the object is to divert the pressure on the Railways. As the coasting traffic vitally affects your Chamber, I shall be glad to have any suggestions you may have to make in connection with the Enquiry.

Letter No. 3184, *dated 7th September* 1942, *from Chamber to Dr. H. T. Sorley, Officer on Special Duty with the Government of India.*

With reference to your letter of the 11th August 1942, No. 3, I am directed by the Committee of this Chamber to send to you their views hereby.

2. My Committee are glad that the Government of India have thought it advisable to investigate the possibility of

increased traffic by country crafts on the West Coast of India with the object of diverting pressure on the Railways. The transport problem has become, in fact, very acute, and trade, commerce and industries have had to suffer and are suffering owing to transport difficulties. Not only this, but, my Committee are afraid, as they have already addressed Government, that the problem of feeding the large population of Bombay and the Province will also present acute difficulties, unless there is a solution found for the transport problem. My Committee, therefore, welcome your appointment and hope that it will lead to a removal, at least, of some of the difficulties of this problem.

3. My Committee would like to recommend strongly, in order to make the country craft popular, that Government should include within the scope of their War Risk (Marine) Insurance scheme, transport by country craft also, and the scale of premium for such insurance should be fixed at a low level.

4. As the usual shipping running on the coast has been withdrawn for other purposes and as there is considerable congestion and pressure on the railways, the country craft has already begun to be used largely and is being put to its fullest use. The effective solution of the problem is for the Government of India to request the British Ministry of War Transport to allot to the Indian Government a few steamers to meet the urgent needs of the trade particularly for the movement of foodstuffs. The service of country craft may be further increased to meet the situation. If more traffic, therefore, has to be put through country crafts, there is a great necessity for building a fairly large number of additional crafts. This will not be impossible, provided that Government are pleased to afford as much help and assistance to such a construction as possible. They will have to give priority for getting timber, iron and steel, etc., as unless such a priority is given it will be impossible to build more wooden ships, even though people may be willing to build them and to finance such building. My Committee are sure that, if such an assistance from Government is forthcoming, financiers

and industrialists will also be forthcoming to take up the construction of country crafts.

5. It is difficult to prophesy at present the tonnage of shipping (steamers) that will be available to meet the different requirements of the trade after the termination of the war. If by any chance a larger volume of tonnage than what was available before the war will be thrown in these services, it will be realised that the carriage of traffic by country crafts will become difficult and very likely uneconomical. Government should, therefore, announce beforehand their proposals for assistance to the country craft interests in such an eventuality, as otherwise there might not be the necessary incentive to invest money in building additional country crafts now. Looking to the policy which has been pursued by the Railways upto now, my Committee are also afraid that they might manipulate their rates in such a manner as to kill the country crafts, and Government should give an assurance that the Railways will not be allowed to manipulate the rates in their own interests so as to compete with the country craft traffic.

6. As the construction of new country crafts will, however, take some time, and in the meanwhile trade and commerce are suffering. In order, therefore, to meet the demands of trade, my Committee earnestly and emphatically urge that Government should arrange to secure from the British Ministry of Shipping a few steamers for being run on the coastal lines. Such steamers may be run either by the Government or they may ask the Indian shipping interests to run them on their behalf. The rates for War Risk Insurance premium for such coastal line ships should also be reduced, as the present rates are found to be excessive.

APPENDIX 9

Diversion of Steamers Destined for Bombay to other Ports

Letter No. 2587, dated 7th July 1942, from Chamber to Commerce Department, Government of India.

The attention of the Committee of this Chamber has been drawn by the Bombay Provision Merchants' Association to the

fact that for some time past steamers bringing in shipments for Bombay from abroad are on occasions instead of unloading cargo in the Bombay Docks directed to other Indian ports, mainly to Karachi. The importing merchants are greatly inconvenienced as they have to wait for their goods till they are cleared and re-shipped at Karachi for Bombay, or if the re-shipping is not possible to get them booked by rail. This latter procedure is also not quite possible in these days of wagon shortage. Further, the merchants have to pay double clearing expenses on such frustrated cargo. What my Committee want to suggest is that if the ships cannot get berths in the Docks, the cargo may be unloaded in lighters and delivered in the warehouses on the wharf walls from where the coastal line cargo is shipped and landed. The importing merchants are prepared to pay the extras for these lighters, as they can thereby save time and double expenses on clearing. In these days, when import and export trade have got so many difficulties of their own, it would be appreciated if Government provide some such facility for the importing merchants so that before steamers are redirected to some other ports the local importing merchants may be enabled to get their goods by lighters for which they will pay the extras. In the absence of such a facility merchants will have to provide their men for every port and even then they will not be in a position to know where their goods will be unloaded.

Letter No. 19-P (46) |42, *dated* 20*th July* 1942, *from Commerce Department, Government of India to Chamber.*

I am directed to acknowledge receipt of your letter No. 2587, dated the 7th July 1942, addressed to the Secretary to the Government of India, Department of Commerce. Arrangements to increase lighterage facilities at Bombay have been under discussion for some time and it is expected that they will begin as soon as conditions in the harbour permit. A copy of your letter has been forwarded to the Chairman of the Bombay Port Trust and the Government of India have noted that importing merchants are prepared to pay the extra cost involved in working cargoes from lighters.

APPENDIX 10

Transport of Wheat by Country Crafts from Karachi to Bombay

Letter No. 4747|33-G, dated 27th January 1942, from Secretary, Board of Transport, Bombay to Chamber.

It has been suggested to the Board of Transport, Bombay, that in order to relieve the pressure on Railways, country craft should be used for bringing wheat from Karachi to Bombay. Would you kindly let me have the views of your Association on this suggestion and let me know whether the trading community will readily avail themselves of this means of transport ?'

Letter No. 337, dated, 4th February 1942, from Chamber to the Secretary, Board of Transport.

I am directed by my Committee to refer to your letter No. 4747|33-G.(Spl) dated the 29th January 1942, on the above subject and in reply to say that trade interests would welcome arrangements for the transport of wheat by country crafts from Karachi. As a matter of fact, in view of the difficulties experienced by the present transport shortage, such alternate arrangements will help to ease the situation.

APPENDIX 11

Shipping Freight for Export of Goods to Suez Ports

Letter No. 837, dated 19th March 1942, from Chamber to Commerce Department, Government of India, New Delhi.

A communication was addressed by the Committee of this Chamber to the Government of India, Department of Commerce, dated 8th October 1940, wherein they tried to show how the restrictions and control imposed by Government both in regard to the movements of ships and the freights to be charged by them would affect Indian shipping only, leaving British shipping plying on the Indian coasts entirely free as regards its power to go where it liked to go and to charge such freights and fares as it wanted to charge. While no Indian ship could ply outside its sphere of operation without

a licence from the Government of India, no such compliance was demanded from the British ships, i.e. ships of the British India and the Asiatic Lines or even of tramps, British or non-British, plying within Indian waters.

My Committee are now receiving letters from merchants seriously complaining about the difficulty experienced in obtaining shipping space for Suez or other Red Sea ports. It is stated that the Scindia Steam Navigation Company, for instance, are precluded in view of the Notification mentioned above from berthing any of its ships for Suez or any other Red Sea port. The Company itself would be willing to run its ships to Suez and other ports ; and it is therefore essential both as a matter of justice to Indian shipping as well as from the imperative need of making the best use of existing tonnage, that the Scindia Company should be allowed to ply its ships on these and other overseas routes particularly now that the most substantial Burma trade is lost to it and the tonnage employed in that trade is therefore free to ply in other waters.

My Committee, therefore, beg to approach the Government of India with a request that in the interests of Indian trade and commerce, they will be pleased to release the Scindia Company from the control imposed in September 1940, to enable it to provide some ships at least for service to Suez and other Red Sea ports.

My Committee are further informed that the Agents of certain Shipping Companies are interested in the transport of the same goods as are being sent by the shippers, and thus come into active competition with them. The Agents of the shipping companies refuse to carry the goods of the shippers or quote such heavy freight as to practically preclude their competitors sending out any goods. My Committee consider that Government should intercede in such cases to prevent what is otherwise an undue and unfair curtailment of shipping facilities for trade and commerce.

APPENDIX 12

Shipping Freight for Export of Oil-Seeds and Oil to the Middle East

Telegram dated 26th March 1942, from Chamber to Commerce Department, Government of India, New Delhi.

Committee Indian Merchants' Chamber have received complaints that on instructions received from Ministry of Shipping, Shipping Companies have stopped loading oil-seeds and oil for Middle East on private account excepting for the United Kingdom Commercial Corporation. Shippers have long standing commitments pending execution for want of freight space and on occasions like the present when available shipping tonnage is limited and routes and spheres for various shipping companies are strictly delimited closing of traffic entirely for private trade is in the nature of a monopoly and involves considerable hardship and is extremely unfair. In the result Indian exporters and shippers who have established trade relations running over a period of years will be suddenly cut out of trade. Request your intercession with a view to adoption by those controlling shipping of an arrangement under which existing tonnage will be distributed fairly between all parties and all trades without preference or monopoly for any party or body.

Letter No. 2523, dated 27th June 1942, from Chamber to Commerce Department, Government of India.

With reference to the correspondence ending with our telegram dated 25th March, to the Hon'ble Member in Charge of Commerce, oil manufacturers and merchants from here were allowed to export oil to the Middle East. Messrs. Swastik Oil Mills, Ltd., were allowed to export certain quantity of oil to the Middle East by a boat which sailed from Bombay in the middle of May. They could however ship only 320 tons of oil against the total quantity of about 600 tons they had for shipment to the Middle East on order from their various buyers over there. They wrote to the Export Trade Controller for permission to ship the balance of the above quantity, but the same was not granted. They then sent a telegram to the Government of India, requesting them to

instruct the Export Trade Controller to grant them the necessary permission. The permission was refused, but he enquired of the Company whether they would like arrangements to be made for the purchase by His Majesty's Government's Ministry of Food of such of their stocks for which licenses had been refused. Such an offer would have helped the Mills to be relieved of their stock ; but it would upset their established business connections in the Middle East and they would naturally prefer permission to export. My Committee, therefore, beg to approach Government with a request that the Mills may be allowed to export their remaining surplus. At the same time, they will be obliged if you will kindly let them know if there is a ban on exports of these oils for all or whether there are any exceptions to the ban.

Letter No. 76-C.D. 12|42, *dated* 11*th July* 1942, *from Commerce Department, Government of India to Chamber.*

I am directed to invite a reference to your letter No. 2523 dated the 27th June 1942, on the subject of prohibition of exports of vegetable oils and oil-seeds to the Middle East countries. I am to explain that the prohibition applies to Egypt, Sudan, Palestine, Trans-Jordan, Syria, Lebanon, Cyprus, Malta and Aden and has been imposed for the reason that these countries with some assistance from East Africa, are able to meet their own requirements. In the present conditions, shipping space can be used only for goods essentially needed by importing territories and although the Government of India succeeded with some difficulty in arranging shipment of some 3,000 tons which were actually at the docks when the ban was imposed, it is regretted that it will not be possible to allow any further exports of oils and oil-seeds to the territories in question. In order to clear up all misapprehension in the matter, I am to add that no relaxation of the prohibition has been permitted in any case.

APPENDIX 13

Cotton Waste Shipments to U.K. Ports

Letter No. 945, dated 27th March 1942, from Chamber to the Shipping Representative in India of H.M.G.'s Ministry of Supply.

(Copy to Export Trade Controller; Chairman, Bombay Port Trust; Export Advisory Committee.)

The attention of my Committee has been drawn to the difficulties experienced by shippers and exporters in the matter of securing freight space for cotton waste shipments arising out of the recent change in procedure governing allotment of space. It would appear that till now freight space was being allotted to shippers on the basis of the pre-war average of each such shipper, thereby ensuring that every shipper secured freight in proportion to his previous shipments. This procedure, my Committee understand, was working smoothly. Recently, however, instructions were issued by the Shipping Representative in India to all shipping companies and to shippers to the effect that hereafter freight would be allotted on the basis of the priority of contracts, i.e. shippers who had old contracts pending will be allotted freight first and that only after all such pending contracts had been disposed of consideration would be given for shipments in respect of current contracts. The change as above, it has been pointed out to my Committee, adversely affects the interests of shippers particularly those who had taken care to enter into commitments only to the extent of their ability to discharge them having regard to the present difficulties in getting shipping freight, etc., and favours those who had entered into large commitments disregarding rules existing then and allowed them to be kept pending. It is not fair to cut out persons who had been regularly in the trade for a period of years by any such artificial arrangement and my Committee strongly feel that the revised procedure should not be enforced and that as in the past freight should be continued to be allotted in proportion to the pre-war average of the shippers concerned. It is requested that you will be pleased to consider this matter favourably and to revise the procedure as suggested above.

Letter No. 987, dated 31st March 1942, from H.M. Ministry of Supply, Shipping Representative in India to Chamber.

I am in receipt of your letter No. 945 of the 27th March. Freight allocations for cotton waste were, as you say, made on the basis of the average pre-war shipments by regular shippers until recently and I agree that this procedure appeared to work smoothly. Sales and purchases were then made between private sellers and private buyers. When all cotton waste purchases for the U.K. came to be made by the Cotton Controller the situation changed as the Cotton Controller is not interested in shippers' quotas but in buying in what he considers is the best market. That being so the Controller naturally expects his purchases to be shipped so far as possible in the order in which he bought and in regard to the particular month's shipment for which he bought. If purchases are in excess of shipping space then naturally old-dated contracts must be shipped before contracts of a later date.

I agree that there is an element of unfairness towards those regular shippers who confined their sales to their shipping quotas whereas others sold irrespective of their quotas and their expectation of freight allocations and therefore of their ability to fulfil their contracts, but now that the Controller is the sole purchaser his interests must be considered first. However, I am not aware to what extent shippers' present outstandings consist of sales made to private buyers before the Controller became the sole purchaser. If your Chamber will compile a list of such outstandings I am prepared to consider the claims of regular pre-war shippers for some preference on the basis of their pre-war quotas, but in regard to sales made direct to the Controller I have no option but to direct that freight is allocated on the basis of contract date, shipment month and the volume of business effected by each shipper irrespective of his pre-war average shipments.

I am passing a copy of your letter under reply to my Bombay Representatives, Messrs. Mackinnon Mackenzie & Co., together with a copy of this letter.

When addressing me in future on any subject will you kindly be good enough to pass a copy to Messrs. Mackinnon

Mackenzie & Co., or alternatively address them direct with a copy to me.

APPENDIX 14

Appointment of the Chairman of Karachi Port Trust

Telegram dated 4th February 1942, *from Chamber to Commerce Department, Government of India.*

Committee Indian Merchants' Chamber understand that term of office of the present Chairman of the Karachi Port Trust expires in March 1942. They strongly urge that the opportunity should be taken to meet the often expressed public demand for the Indianisation of the post by appointing a suitable Indian in the vacancy.

APPENDIX 15

Waivure of Port Trust Demurrage Charges

Letter No. 3063, *dated 21st August* 1942, *from Chamber to the Secretary, Bombay Port Trust, Bombay.*

The attention of the Committee of this Chamber has been drawn to the fact that as a result of the recent disturbances in the city it has not been found possible for importers and merchants concerned to take delivery of goods unloaded from the docks and lying in the Port Trust Railway yards. As a matter of fact, for some days it was practically difficult to get the services of coolies and workmen ; there was also difficulty in arranging for transport by lorry. It is, therefore, necessary that the Port Trust authorities should consider the dates covered by the disturbances as *dies non* for purposes of calculating extra dock fees for wharfage. It may be pointed out that there is a precedent for the waivure of extra fees in similar circumstances. In the year 1927 at the time of the Gujerat Floods the railway communications had to be suspended ; consignments awaiting despatch were exempted from extra fees. Again in the years 1929, 1932 and 1936 at the time of the riots, the concession was granted. Last year also at the time of the riots both in Ahmedabad and Bombay some

relief was sanctioned. My Committee, therefore, request that the Port Trust authorities will be pleased to consider the suggestion for remission of extra fees favourably.

APPENDIX 16

Shortage of Waggons

Letter No. 60, dated 8th January 1942, from Chamber to Chief Traffic Manager, G.I.P. Rly. and a copy to the Secretary, Railway Board.

With reference to the correspondence of my Committee with you regarding the shortage of wagons, they have received a number of very strong complaints regarding the same question from different leading commercial and industrial firms. Representatives of this Chamber were assured by you at the Conference which was held in the office of the Bombay Chamber of Commerce that steps would be taken to relieve the acuteness of the problem before long. Unfortunately, the position, instead of showing any improvement, is becoming worse day by day. My Committee appreciate the position that the acuteness of the problem is, to some extent, due to the war situation. At the same time, however, they would like to emphasize, as they have emphasized before, that quick transport of raw materials, of foodstuffs and of manufactured articles, specially when all these are concerned with war work in one shape or the other, is as much a work connected with the war as anything else. Thus, cotton is required very badly for the mills both in Bombay and Ahmedabad and the war activities in the shape of the manufacture of cloth, are impeded and retarded because of the shortage of wagons. Messrs. Bachhraj & Co., Ltd. have shown how it takes more than a week to 10 days for bringing wagons from Wardha or places near it to Bombay, where usually it took about two to three days. With regard to Messrs. Marsland Price & Company's Sugar Works, there is not even any question of undue delay, for all their stuff has unfortunately to be stored in the godowns at Diksal station, they not having got any wagons to move it to places where sugar is badly required. My Committee are informed that they have got stocks worth more than Rs. 10 lakhs thus stored at Diksal. My Committee

are sending herewith copies of all these letters for ready reference and for your information. They hope that you will be pleased to take immediate action to relieve this extremely acute shortage of wagons, and to provide facilities to trade and industries, so that war activities may not be unduly retarded and hampered.

Letter No. G.494|N.G.P. dated 19th January 1942, from the Chief Traffic Manager, G.I.P. Railway, Bombay, to Chamber.

As you are aware, this Railway is passing through a period of acute wagon scarcity and there is no likelihood of the position improving. In order, therefore, to indicate priority movement of commodities, the Bombay Government have set up a Board of Transport at whose instance, we are arranging supply of selected number of wagons preferentially, for transport of selected commodities. It is, therefore, suggested that in the cases pointed out by you in the accompaniment to your letter under reference, if urgent transport is necessary, the matter may be represented to that Board with a request for priority of movement. In the absence of such priority orders, it is regretted, the present rate of supply of wagons cannot be increased.

2. As regards supply of wagons for gunny bags and hessian from Howrah to Bombay, required by Messrs. Purshotam Bhanjee & Co. I would suggest that the matter be represented to the B.N. or the E.I. Railway, as the case may be, as the supply of wagons is made by them.

3. With reference to the complaint of Messrs. Bachhraj & Co. about the very heavy delay in transit of consignments of cotton booked from stations in the Berars to Bombay, this was due to heavy congestion of traffic in the Bhusawal and Nandgaon yards and due to a derailment which took place recently at Bhusawal. It is anticipated that such delays in transit will be considerably reduced.

Letter No. 357, dated 5th February 1942, from Chamber to the Chief Traffic Manager, G.I.P. Railway, Bombay.

I am directed to acknowledge receipt of your letter No. G.494/NGP, dated the 19th January 1942. You observe therein that your Railway Administration are arranging supply of selected number of wagons preferentially, for transport of

selected commodities, at the instance of the Board of Transport appointed by the Government of Bombay. My Committee would like to have information as to the list of commodities which have been so marked out for preferential allotment ; in particular they would like to have information if coal is included in the said list. Your early reply is requested.

Letter No. 423|596, *dated* 14*th February* 1942, *from the Federation of Indian Chambers of Commerce and Industry to Chamber.*

At the last meeting of the Committee of the Federation, the question relating to the shortage of wagons for the transport of essential commodities such as coal, fuel, foodstuffs, cotton, etc., was discussed. They felt that the question should be urgently pursued with the Government of India, and directed the office to secure reliable information as regards the difficulties which were being experienced by the various constituted members of the Member-Bodies in this connection. I would, therefore, like to inquire if it would be possible for you to ascertain from your constituted members their actual present requirements, the sources of their supplies and the destinations of their products, as also an idea as to the number of wagons which are necessary for the present-day requirements of their concerns. If it is possible to collect such information it would help the Federation Office to represent to the Government of India on this question. I trust you will kindly make every effort to secure this information and to supply it to me. These replies should reach this office not later than Tuesday, the 24th February, 1942.

Letter No. 662, *dated* 4*th March* 1942, *from Chamber to the Federation of Indian Chambers of Commerce and Industry.*

With further reference to your circular letter of the 14th February 1942, I am sending to you herewith copies of complaints received from the members of the Chamber regarding difficulties experienced in the matter of wagon shortage.

In this connection, it may be of interest to you to know that the Government of Bombay have appointed a Board of Transport on which representatives of the two railways are

*Not prinetd.

also members, to ensure that the best use is made of all the available means of transport. It is now arranged that the Chairman or Secretary of the Board should have a meeting every week with the representatives of Trade Associations to discuss such difficulties as may be brought to their notice.

It is too early to form an opinion as to whether this machinery has helped to ease the situation. However, so far as the movement of necessities of life such as foodstuffs, charcoal, etc. is concerned, it is understood that the Board has introduced a system of priority and the same has helped to relieve the situation to a certain extent.

If further complaints are received, details of the same will be sent to you in due course.

APPENDIX 17

The Supply of Wagons for Transport of Cotton

Telegram dated 4th December 1941, *from Chamber to the Communications Department, Government of India.*

The Government of India are fully aware how the different Chambers of Commerce and Commercial Associations representing the views of the commercial community are deeply feeling the shortage of railway wagons which has resulted in a grave situation for different trades and industries like cotton textile, coal, seeds, foodstuffs and other articles of merchandise. Committee, Indian Merchants' Chamber have been representing this often and often to Government and the Railway Administrations. Recently there was a conference at the Bombay Chamber of Commerce where the Chief Traffic Manager, G.I.P. Railway, admitted that there was an extreme shortage of wagons for ten or twelve days and that the shortage was felt specially in the cotton belt. Looking to the fact that the new cotton season has begun, representatives of this Chamber, Cotton Association and others pressed that the shortage should be removed as quickly as possible and this the Railway Administration agreed to do. Committee, Indian Merchants' Chamber are informed that the shortage is not only still there but in some cases is even accentuated. The cotton belt is feeling the shortage and some

upcountry mills as at Navsari and Ahmedabad were having difficulties with regard to supplies of coal. Committee, therefore, beg to suggest that the Government would be pleased to look into the situation favourably and to arrange for a sufficient number of wagons and locomotives to relieve the tension as otherwise both trade and industries will suffer badly. The reaction also will be felt to no small extent by the agriculturists and by the general public and it may also affect the war efforts. Committee also suggest very strongly that in order to relieve this tension and the present situation Government may very well suspend the petrol rationing scheme so far as it affects trade lorries for a period of at least three months till the busy season in the trade is over. If total suspension is not possible rationing on a more liberal scale is vitally necessary.

Letter No. 1018-T.T. dated 6th January 1942, from the Railway Board, Government of India to Chamber.

I am directed to refer to your letter No. 3090, dated the 4th Deccember 1941, enclosing a copy of a telegram of the same date to the address of the Secretary to the Government of India in the Communications Department on the above mentioned subject and to state in reply that the Great Indian Peninsula Railway are doing all that they can to ensure the supply of the maximum number of wagons for loading cotton.

2. As regards the last portion of your telegram, I am to say that the supply position in regard to petrol does not permit the Government of India to be more liberal in the matter of rationing.

Letter No. 3875, dated 26th November 1942, from Chamber to the Chief Traffic Manager, G.I.P. Railway, Bombay.

My Committee have received complaints that considerable difficulty is being experienced by merchants in the matter of getting wagons for the transport of cotton. The position is said to be particularly bad in so far as the movement of cotton from centres in the Central Provinces and Berar to places like Baroda and Ahmedabad is concerned. Thus, it is reported that it is very difficult to get wagons from stations like Burhanpur to Baroda, or from Khamgaon, Karanja, and

Malkapur to Bombay and Ahmedabad. My Committee are further informed that although the merchants had the necessary licences for despatching cotton from Khamgaon and Malkapur to Ahmedabad, the goods could not be despatched for months together for want of wagons, and the expedient of transporting the same by carts to Amalner, about 200 miles from Khamgaon, and then transporting the same by the B.B. & C.I. Railway to Ahmedabad by rail had to be resorted to. Such a course, it will be appreciated, entails additional expenditure on the parties concerned, besides putting them and the consignees to a lot of inconvenience and delay.

You will agree that if every effort is not taken to facilitate the movement of the new cotton crop, both the agriculturists and the cotton trade will suffer thereby. Besides, the cotton textile industry will also be put to difficulties by the absence of timely supplies of its raw material. Having regard to all these considerations, it is necessary that the Railway Administration should give this matter its earnest attention and make proper arrangements for the transport of cotton, particularly from centres in the Central Provinces and Berar to consuming markets like Baroda and Ahmedabad.

APPENDIX 18

Transport of Ground-nut Oil

Letter No. 2467, dated 18*th June* 1942, *from Chamber to the Secretary, Transport Board, Government of Bombay.*

The attention of the Committee of this Chamber has been drawn by the Western Engineering Company, Bombay, to the inadequate number of tank wagons they are getting at present for the purpose of transporting their oil to Bombay. The Company represent Messrs. Dayaram Surajmal G. P. Factory and Oil Mills, Latur (B.L.Rly.) and Messrs. Dayaram Surajmal Oil Mills, Gulbarga. They supply large quantities of ground-nut crude oil to leading firms like the Hindustan Vanaspati Mfg. Co., Ltd., Messrs. Ralli Bros. Ltd., Messrs. Forbes, Forbes Campbell and other merchants in Bombay. The oil is supplied mainly in tank wagons. Out of the 83 wagons used for this transport on the G.I.P. Railway, as many

as 44 wagons, my Committee are informed, are now for the Government of India and only 39 wagons are now available for the transport of oil. This has put naturally the industry to a good deal of difficulty. Their contention in that if the Railway Authorities are not, due to the present transport difficulty, in a position to spare tank wagons, they should at least give facilities for the transport of oil in drums and also arrange for early re-transport of the drums to the respective stations. This will work out at a higher cost ; but the Western Engineering Co. will pay these higher costs in transport, if necessary, rather than forego the traffic which will mean a big loss to the industry.

My Committee hope that the Transport Board will be pleased to look to these difficulties of the industry and provide such facilities as are feasible under the circumstances.

APPENDIX 19

Wagons for Transport of Gur over R. K. Railway

Letter No. 3674, *dated 5th November* 1942, *from Chamber to the Traffic Superintendent, R. K. Railway, Izatnagar.*

The Committee of this Chamber are informed by a member of this Chamber, Messrs. P. K. Patel & Co., Anand, that they are a big firm exporting gur from Sitapur to several parts of the Bombay Presidency. They have submitted statements, from which it appears that their exports of gur to different parts of the Presidency, specially Gujerat, are very large. Their complaint is that the wagons are being distributed among different exporters according to their applications and that no consideration is given to the quantities of goods that parties may have moved in the past or may be in a position to do so at present. In short, they want that looking to their exports in the past, wagons should be given to them on a quota basis, which quota comes, according to them, to one wagon out of ten wagons at Sitapur. My Committee will be obliged if you will kindly let them know if this suggestion made by Messrs. Patel & Co., can be carried out, looking particularly to the fact that Gujerat wants gur badly and that Messrs. Patel & Co., appear to be the biggest exporters of gur from your part of the country to this Province.

Letter No. T.F.82|41, dated 13th November 1942, from R. K. Railway to Chamber.

Wagons are supplied according to the priority register maintained at the station.

I regret, therefore, I am not in a position to give any assurance that preferential treatment can be given on the lines suggested.

Letter No. 3857, dated 25th November 1942, from Chamber to the Traffic Superintendent, R. K. Railway.

I beg to acknowledge the receipt of your letter No. TF-82/41, dated the 13th November 1942, on the above subject.

In this connection, my Committee would like to be informed as to the basis on which the priority register is maintained. It would also be interesting to know if the priority is to be sanctioned by the station staff at the particular railway stations or whether the same is determined on the basis of instructions or orders issued by the headquarters. Further, does priority, in actual practice, take into account the urgency of the requirements in the consuming centres and the nature of the articles to be transported, or does it only mean allotment of wagons in the order of the receipt of applications for the same ?

You will be good enough to supply my Committee with the above information, so that they may be in a position to understand more clearly the working of the priority arrangements to which you refer.

Letter No. 82|41, dated 22nd December 1942, from Traffic Superintendent, R. K. Railway, to Chamber.

Your No. 3854 D/-25-11-1942 re. Wagons

I beg to enclose herewith a copy of the circular issued regarding registration of goods at stations. Wagon supply is made in order of priority according to registration. Preference is, however, given to goods which are required for defence or military purpose and are supported by priority certificate or Government order.

(Enclosure referred to above.)

COPY

THE ROHILKUND AND KUMAON RLY. CO., LTD.

(Incorporated in England)

Traffic Superintendent's Office,
Izatnagar, 2nd November, 1942.

Circular Letter No. TE-2/14 of 1942.

All Station Masters, R. & K. Railway.

Re. : Maintenance of Register No. T.356 A, B, C

As per Railway Board's letter No. E.42-WA.2137/2, dated 21st September 1942 the above register must be regularly maintained at all stations, and the following additional instructions strictly observed by Station Masters in connection therewith. Traffic inspectors must see that these instructions are strictly carried out and contravention thereof must be reported to this office at once :—

1. All entries must be made in ink. Any corrections made must be done by drawing a line through the incorrect entry and recording the correct entry immdiately above it ; each correction must be initialled by the person making the correction.

2. The register must be checked regularly by Station Master or chief goods clerk as the case may be.

3. The register must be open to inspection by any member of the public on demand. It must be kept in a safe place under lock and key so that no unauthorised person may tamper with it. A notice must be exhibited on the Goods Shed Notice Board stating the official to whom applications should be made for an examination of the register.

4. The register should be checked by Traffic, and Accounts officers and inspectors whenever they visit the station. They should check the entries with a view to determining if despatches have been made correctly in serial order and if a despatch out of serial order is detected, to ascertain the reason at once. A further check should be made to ensure that goods on hand waiting despatch and for which consignment notes have been or should have been, tendered have been correctly entered in the register.

5. All routine inspection forms concerning goods sheds should include an entry regarding the inspection of registers of goods tendered for despatch.

TRAFFIC SUPERINTENDENT.

APPENDIX 20

Railway Freight on Coconut Oil

Letter No. 2396, dated 11th June 1942, from Chamber to the Chief Traffic Manager, G.I.P. Railway, Bombay.

The attention of my Committee has been drawn to the wide disparity between the rates in force for the carriage of groundnut oil and coconut oil from Bombay to Shalimar. The rate for the former oil, per wagon load, works out to Rs. 1-5-1 per maund while that for the coconut oil is Rs. 2-10 per maund. My Committee are unable to appreciate the justification for this big difference. The prices of the two oils normally vary within narrow limits and, therefore, the difference in the freight rates cannot be justified on that account. All the other conditions of transport for both the oils are the same. Under the circumstances, my Committee strongly feel that the claim for extending the reduced rate to coconut oil is strong and requires to be considered sympathetically by the Railway Administration.

Letter No. R.C.T.-815, dated 17th June 1942, from G.I.P. Railway to Chamber.

I beg to say that coconuts are chiefly grown in South India, and it is understood that large quantities of coconut oil are produced in that area and can be despatched direct to Calcutta. In these circumstances the despatch of coconut oil from Bombay to Calcutta appears to necessitate either the prior importation of coconut oil into Bombay from South India or the importation of coconuts from the same area, both involving long hauls by railway. In view of the extreme importance of avoiding all unnecessary haulage, it is considered that the quotation of a reduced rate for coconut oil from Bombay to Calcutta is undesirable.

Letter No. 2492, dated 24th June 1942, from Chamber to the G.I.P. Railway, Bombay.

I am directed to acknowledge the receipt of your letter of the 18th instant, No. RCT/815, on the above subject.

My Committee note what you have stated therein regarding the difficulties in your way for not reducing the rate for despatch of coconut oil from Bombay to Shalimar. At the same time they hope that these objections will not prevail even for normal times and that when normal times are restored, the Railway will not find it difficult to accede to the wishes of the commercial community.

Letter No. R.C.T.-815, dated 29th June 1942, from the G.I.P. Railway to Chamber.

With reference to para 2 of your letter, I have to say that the points mentioned in my letter No. RCT/815 of 17/18th June 1942 only apply in present conditions.

APPENDIX 21

Supply of Wagons for Return of Empty Drums

Letter No. 502, dated 18th February 1942, from Chamber to the Secretary, Board of Transport, Bombay.

The Bombay Oil Merchants' Association has complained to my Committee that lately the Railways are not accepting booking of empty oil drums from upcountry stations. Oils are despatched from Bombay to market centres and in the past the empty drums used to be returned for use again. In this connection, the Association has forwarded to my Committee a copy of your letter No. 4751/33-G(Spl), dated the 31st January 1942, wherein the Board has expressed its inability to arrange for the return of empty drums.

While my Committee realize that the existing transport shortage makes it necessary that the available supply of wagons should be made the best use of, they wish to point out that in view of the restrictions on acquiring metal containers, etc. it is difficult to replace containers frequently by new ones and if the empty drums are not returned, oil manufacturers

will, in turn, be experiencing difficulty in despatching oils to the interior at a later stage. It need not be emphasized that edible oils are essential articles of food for the people in general and the question of making some arrangement for the return of empty drums merits further consideration.

My Committee hope that the Board will be pleased to consider this matter sympathetically.

APPENDIX 22

Goods Traffic from Sant Road Station

Letter No. 4119, *dated 24th December* 1942, *from Chamber to the Chief Traffic Manager, B. B. & C. I. Railway, Bombay.*

Messrs. Gor & Co., a member-firm of this Chamber, who have a factory in Sant Road for the manufacture of glassware and certain other materials have drawn the attention of my Committee to the difficulties experienced by them on account of stoppage of bookings from the above station. It would appear that they had similar difficulties sometime ago and on representations made to the Railway Authorities, it was arranged that they should be supplied regularly with at least one wagon a week. Although this did not cover their full requirements in regard to goods to be moved every week from that station, having regard to the wagon position in general, they did not pursue the matter further at that stage. Lately, however, the railway officials have again informed the factory that it would not be possible to allot them even one wagon per week. This has naturally put them to considerable difficulty. My Committee are given to understand that the factory has more than 1,000 crates ready for despatch. It need not be pointed out that all these goods are meant for use in different places and if transport facilities are not made available, the factory will not be able to fulfil its commitments with the buyers. Moreover, if the present state of affairs is allowed to continue it will have its reaction on the working of the factory inasmuch as, with accumulating stocks and lack of opportunities for moving finished materials, the factory will be constrained to curtail its manufacturing activities with

consequent dislocation in the whole organization. Incidentally, it may be mentioned that the factory is situated in an area inhabited mainly by the Backward Class people, viz. Bhils. The opportunities which it affords to the population in the form of employment, etc. will also be curtailed if not eliminated.

My Committee, therefore, request that you may be pleased to examine the position and to arrange for the regular supply of the necessary wagons for the factory in question.

APPENDIX 23

Wagons for Coal Transport

Letter No. 517, *dated* 19*th February* 1942, *from Chamber to the Railway Board, New Delhi.*

The attention of the Committee of this Chamber has been drawn to a notification issued by the Bengal Nagpur and East Indian Railways. It is mentioned therein that it has been found necessary to introduce procedure to ensure that wagons for priority orders for coal are supplied in full before ordinary demands are met. It has been decided, therefore, to suspend allotment of wagons for coal on public account for five days in the week, viz. Mondays, Tuesdays, Thursdays, Fridays and Saturdays, and on these days priority orders allotment will be made. The implication appears to be that wagons will be supplied in full against indents from collieries for priority orders on these days. This is, however, not the experience of our coal people here, who allege that indents are never met in full either for priority orders or even for loco orders. It is again not made clear whether the Railways mean by priority orders, either priority for Government or priority for loco or priority for industries. My Committee will be greatly obliged if you will kindly let them know how many wagons are thus moved on the days allotted for priority orders, and how many wagons are moved on Wednesdays, which appear to be the only days reserved for public orders, unless Sundays also are now included in the working days.

My Committee request that full details be given as to how the priority and public demands are being met and will

be met in future, so that consumers can know approximately how their demands are likely to be met.

APPENDIX 24

Reduced Freight on Coal during Slack Season

Letter No. 3187, dated 8th September 1942, from Chamber to the Chief Traffic Manager, G.I.P. Railway, Bombay.

The attention of my Committee has been drawn to the notice issued by your Railway to the effect that the existing "increased charge" of 15 per cent on railway freight for coal, coke and patent fuel will be enhanced to 20 per cent as from 1st December 1942. Further the notice calls upon those concerned to take this opportunity of laying in stocks of coal as far as possible before 30th November 1942. The above notice presumes that there are sufficient number of wagons available for laying in stocks of coal before 30th November after which, according to the notice, the demand for rail transport of other commodities will be exceptionally heavy. The coal merchants would certainly welcome any opportunity that would allow them to lay in stocks of coal before the busy season begins, but my Committee would appreciate an assurance from your railway that sufficient number of wagons will be placed at the disposal of those desiring to lay in stocks of coal. From recent experience, however, my Committee feel that the wagon supply situation of the railways is very acute and that if the railway is not able to allot an adequate supply of wagons in terms of the above notice, they fear that the notice under reference is likely to create a misunderstanding between the consuming public and the coal merchants. Under the circumstances, the consuming public is likely to feel that they are being deprived of their just supply in spite of the railways being in a position to supply adequate number of wagons to the trade. My Committee, therefore, feel that if the supply position of wagons remains the same, the notice under reference by your railway would cause difficulty to the trade and lead to misapprehension amongst the consuming public. They, therefore, urge that in terms of the above notice sufficient number of wagons

should be made available to the trade before 30th November and that an assurance to that effect from your railway to my Committee will be very much appreciated.

Letter No. RC.83, dated 22nd September 1942, from the Chief Traffic Manager, G.I.P. Railway, Bombay, to Chamber.

It would seem from your letter that certain assumptions which appear to have been made by your Committee have influenced them to seek from this railway the assurance which you mention. It was presumed at the time the notice was published through the Press that collieries, the coal trade generally, as well as the consumers of coal were aware that coal transport is regulated by the Controller of Coal Distribution, and that the order of priority in supply of railway wagons for coal intended for different purposes was (and continues to be) determined by that officer. The railways generally are not thus free agents in this matter, much less can they, or this railway in particular, give the guarantee which you desire.

2. The second paragraph of this office notification under reference was intended to emphasise the possibility of greater call on railway wagons to transport merchandise other than food-grains on the then impending termination of the period during which special preference had been granted to the movement of food-grains by rail, so that those concerned with the coal trade (as well as the consumers of coal) may take any action they considered practicable for laying in stocks before this other traffic begins to move on the return of fair weather conditions. The notice thus anticipated for instance, that those concerned with the despatch or indenting of coal would consider whether the Controller of Coal Distribution may be approached for any change in the order of priority assigned by him to the several coal interests. Not only is the order of priority prescribed by an authority specially charged with the control of coal distribution, but the relative order in which transport by rail, generally, should be offered to various commodities including coal (and for specified interests, indentors or consumers) is also specifically prescribed by other authorities. In these circumstances, your Committee

will, I am sure, appreciate the impossibility of giving them the guarantee which your letter seeks.

Letter No. 3503, *dated* 15*th October* 1942, *from Chamber to the Chief Traffic Manager, G.I.P. Railway, Bombay.*

I am directed to acknowledge receipt of your letter No. RC.83, dated 22nd September 1942. When my Committee wrote to you on the 8th September, they were fully aware of the procedure that had been laid down for allocation of wagons for purposes of coal transport and the administrative authority vested with the necessary powers in connection therewith. The main purpose of their letter, however, was to point out that although the G.I.P. Railway had notice of the arrangement and the restrictions thereunder, the Administration by a notification thought it fit to draw the attention of the merchants and consumers to the desirability of stocking coal during the slack season. It was inherently impossible because of the restrictions and because of the general shortage of wagons to secure and lay-by any stocks of coal as desired in the notification. What happens in such cases is that the regular customers of the coal merchants are led to believe by such notifications that the coal merchants are in a position and are enabled by the Railway to lay-by huge stocks of coal during the slack season and that it is their (coal merchants') fault that they are not able to give more of the coal to their usual constituents. In fact, cases have come to our notice, where the coal consumers have served the coal merchants with notice asking them to recompense them for any losses they may have sustained because of the shortage of coal which they were led to expect would be forthcoming whenever they required. My Committee do not, they may be allowed to make it clear, want from you any assurance in this connection ; they only want the Railway Administration to try to help the coal merchants to get wagons for their coal and thus help merchants who acted up to your suggestion to co-operate with the Railway by trying to get more stocks of coal during the slack season. if they are in a position to do so. If, however, it is not possible for the Railway Administration to do so, they may well not publish such notices, as the publication

of such notices may create a misunderstanding as aforementioned between the coal merchants and their constituents.

Letter No. RC.83, dated 10th November 1942, from the Chief Traffic Manager, G.I.P. Railway, Bombay, to Chamber.

It would appear from your letter under reference that a principal point made in mine of the 22nd September last has been missed by you. The second paragraph of this Railway's notification was included in the announcement bearing in mind the fact that at that time the special preference which had been granted to the transport requirements of food-grains by rail was nearing its termination and, if correspondingly, larger indents for wagons to load coal were made, the wagons saved for food-grain traffic might become available for coal traffic. So far as this Railway's collieries are concerned, I would point out that during October last there has been a distinct increase in the number of wagons loaded with coal over those loaded during the month of September 1942. It is hardly necessary to assure you that this Railway Administration is fully alive to the requirements of coal traffic and within its powers it has always endeavoured, and will continue to endeavour, as far as possible, to allot wagons required for this traffic.

2. I would add in conclusion that the coal consumers' claim that coal merchants should offer compensation for any loss the former may have sustained because of the shortage of coal, would appear to be very far-fetched. It is admitted, however, that the possibility of any such claim being made had not occurred to us when the announcement through the Press was made. Having regard to the fact that the food-grains position in Bombay and elsewhere continued to be unsatisfactory, and therefore the preference given to wagon indents for food-grain traffic was continued after the newspaper announcement under reference had been made, and this may happen also in future, it has already been decided that any such exhortation to coal consumers as was included in our previous announcement should not be repeated hereafter.

APPENDIX 25

Booking of Coal to the Manganese Depot

Telegram dated 15th January 1942, from Chamber to Railway Board, New Delhi.

Committee, Indian Merchants' Chamber bring to the notice of the Railway Board the restriction placed on booking of coal under public supply to the Manganese Depot, Bombay. The objective as given out by the Board appears to be to prevent coal loaded under priority supply on account of principal Sea Transport Officer, Bombay, and for bunkering steamers being mixed up with public consignments. Object cannot be fulfilled under present arrangement at all ; on the contrary restriction puts stockists to great inconvenience and expenses. There are two separate sidings at Manganese Depot, namely, Coal Bunder and Tank Bunder. Committee feel that if booking is allowed to Manganese Depot freely there is no likelihood of coal despatched under public supply being mixed up with priority or bunker coal as stockists have got separate sites and their consignments can be placed separately as may be required. Merchants stock coal at Coal Bunder for last forty years ; recently Railway siding put to facilitate to receive rail-borne coal. Bookings to the Manganese Depot should, therefore, be allowed for all purposes and if the Board do not consider same feasible arrangements should at least be made to allow booking of public coal to Coal Bunder siding separately.

Letter No. 6871T/III, dated 9th March 1942, from Railway Board, New Delhi, to Chamber.

With reference to the correspondence resting with this office letter No. 6871-T, dated the 19th January 1942, on the above subject, I am directed to state that in view of the limited accommodation in the Manganese Depot, Bombay, it is regretted that the Bombay Port Trust Railway are unable to open it to unrestricted bookings.

APPENDIX 26

Coir Matting on Railway Platforms receiving Oil Casks

Letter No. 18, dated 6th January 1942, from Chamber to the Chief Traffic Manager, B.B. & C.I. Railway, Bombay.

Please refer to your letter No. CA.9668/41 of the 1st December 1941, on the above subject. In this connection, my Committee had addressed the G.I.P. Railway also and I am desired to send to you herewith a copy of the reply received from that Railway.

You will observe therefrom that at Wadi Bunder the G.I.P. Railway has provided two large cushions to facilitate handling of oil consignments and that it is now proposed to provide an additional similar cushion. It is felt that the same facility should be provided by your Railway also so that the chances of damage in handling oil casks will be considerably reduced. My Committee hope that you will be pleased to consider the proposal favourably and to make arrangements for providing such cushions at an early date.

Letter dated 3rd February 1942, from Mr. D. C. Modi, Representative on the B.B. & C.I. Railway Advisory Committee, to Chamber.

I am glad to inform you that the Chief Traffic Manager, B. B. & C. I. Railway has agreed to provide coir matting facilities at the goods shed at Carnac Bridge as suggested in your letter dated 6th January 1942 to the Chief Traffic Manager.

APPENDIX 27

Booking of Small Consignments and Nominated Loading

Letter No. T.-42, dated 22nd May 1942, from Chief Traffic Manager, G.I.P. Railway, Bombay, to Chamber.

As you are aware, clubbing of traffic is at present permitted as shown in the definitions of C/-, W/- and CC/- conditions at pages 128 and 129 of Goods Tariff, Part I-A. This permits the minimum weights to be distributed over up to three consignments from one sender to the same or different consignees, but at the same destination station. The question now under consideration is that whether this arrangement should be

extended to permit consignments from *different senders* to be clubbed together for the purpose of rating such consignments at wagon-load rates.

2. It has been observed that the existing clubbing condition is scarcely ever used, and the suggested extension, if arranged, would perhaps be utilised even less. It would involve merchants at the forwarding station and dealing in the same commodity having to get together to make up a wagon-load. It is conceivable that they would in many instances be trade competitors, and it might be difficult to get them to join hands in this way. If the station staff were permitted to arrange such clubbing of consignments where senders themselves do not arrange it in order that wagon-load rates may be applied, there certainly will occur disputes and allegations of favouritism or undue preference being shown to one or more merchants as against another or others. Difficulty is also apprehended in working the proposal at forwarding stations, especially the larger depots, since arrangements would be necessary to keep the various consignments together in order to link them up. Consignments would normally perhaps be brought in at various times and, as such, special stacking might be difficult. Again, one sender might bring in his consignment considerably before the others, and, if this is detained in order to get a completed wagon-load with consignments of other merchants, there would definitely arise the question of wharfage to be charged. In the event of the total weight of all consignments being less than the minimum prescribed (and this can only be ascertained after a fair amount of waiting) there would be disputes as to who should pay for the balance. In short, the suggestion seems to involve a degree of co-operation and mutual accommodation between merchants which, though the proposal pre-supposes this would be forthcoming, may be doubtful of achievement.

3. I shall feel obliged if you will favour me with your Chamber's views on this question.

Letter No. 2586, *dated 7th July* 1942, *from Chamber to the Chief Traffic Manager, G.I.P. Railway, Bombay.*

I am directed to acknowledge the receipt of your letter dated 22nd June, No. T.42. The Committee of this Chamber

have carefully considered the suggestion made therein and are of opinion that it should be adopted for all practical purposes and would be in the interests of the merchants. They do not agree with you that the suggested extension, if arranged, would not be utilised well. They rather feel that it would be utilised by merchants. They can club together and send different lots in one consignment on a wagon-load basis to the same destination. It will not be difficult to get them to join hands in this cause. On the contrary, they will welcome the opportunity of such co-ordination in these days of wagon shortage. If such an opportunity is given to the merchants and if they utilise it well, all wagon space will be well utilised and there may be quickening of the despatch of goods. You think that such a move involves a degree of co-operation and mutual accommodation by the merchants which may be doubtful of achievement. My Committee, however, do not agree with you and consider that the suggestion is worth giving a fair trial. It may be that if such a procedure is adopted and merchants are given the facility for clubbing together, they may automatically co-operate with each other which may be to their own interest and ultimately serve to remove some of the transport difficulties.

APPENDIX 28

Cancellation of certain Trains on the B. B. & C. I. Railway

Telegram dated 8th January 1942 from Chamber to Member for Communications, Government of India, New Delhi.

Committee, Indian Merchants' Chamber have learnt with regret of the cancellation of two main trains on the B. B. & C. I. Railway running from Bombay up-country and *vice versa.* Since some time past owing to several causes trains are extremely crowded and there was felt an urgent necessity of adding one or two trains to relieve the congestion. Instead of this two trains have been cancelled which will add to the hardship, inconvenience and suffering of passengers as also cause greater panic. The reason given for this cancellation is shortage of coal. A Railway like the B. B. & C. I. Railway should have provided for its coal requirements pretty well in advance. What is required in these times is an assurance

and confidence to the public both commercial and general and cancellation of trains on the ground of shortage of coal goes counter to it. Committee, therefore, urgently appeal to you to take immediate steps for improving the coal position of the B. B. & C. I. Railway so that the temporary dislocation of traffic may be removed. Committee also draw your attention to the serious complaints being received from all quarters regarding shortage of wagons on G. I. P. Railway which has been retarding and impeding the flow of traffic and threatening to inflict serious losses upon trade and industries. Pray use your best efforts to secure relief in this direction also.

Letter No. 1191-*T.T., dated* 30*th January* 1942, *from the Secretary, Railway Board, New Delhi, to Chamber.*

With reference to your telegram of the 8th January 1942, addressed to the Honourable Sir Andrew Clow, Member for Communications (confirmed in your letter No. 68 of the same date), I am directed to state that the cancellation of the passenger trains is due to a serious drop in the coal stocks of the Bombay, Baroda and Central India Railway owing to causes outside their control. Although it may be expected that the coal position will be improved, additional important goods trains have had to be diverted *via* the Bombay, Baroda and Central India Railway in order to relieve the overburdened Great Indian Peninsula Railway route and for this reason it must be expected that the reduction of the train services will be for an indefinite period.

Letter No. 492, *dated* 17*th February* 1942, *from Chamber to the Railway Board, New Delhi.*

I am directed to acknowledge the receipt of your letter of the 30th January 1942, No. 1191-TT.

My Committee regret to note that even though the coal situation may improve in future, there is no hope of restoring all the train services and that the reduction of these services will be for an indefinite period. They have recently seen an appeal issued by the Board to the people of India to curtail their train travel. While they entirely agree with the spirit of the appeal that train travel may well be curtailed in view of the war devlopments, my Committee should like to point

out that the poverty of the people prevents any useless and unnecessary railway travel and that generally when such travel is undertaken, there is some real social or commercial purpose behind it. My Committee hope that there will be no further curtailment in these train services, as they apprehend that if there is such a curtailment, it will create panic. For some time past, with restricted train services, all the existing trains are fearfully crowded, and my Committee were hoping that Government would consider the difficulties and inconveniences of the public and increase the railway facilities. However, at present, it is found that the services will not be restored to their original strength. My Committee urge, under the circumstances, that no further curtailment should be made and that the train services should be restored to their original strength whenever there are favourable factors.

APPENDIX 29

Restriction on Pilgrim Traffic to Gaya on the E. I. Railway

Letter No. 3457, dated 9th October 1942, from Chamber to Communications Department, Government of India, New Delhi.

The attention of the Committee of this Chamber has been drawn to a notification issued under the Defence of India Rules requiring that persons proposing to travel to Gaya or near-about between 22nd and 30th September, shall not be carried on any Railway between the dates mentioned, both days inclusive, unless the Railway Administration is satisfied that the person is proceeding to that destination otherwise than for the purpose of taking part in the Pitripaksha Mela. My Committee appreciate that the step is being taken, as is explained in a communique, with a view to conserving railway traffic for essential military and civil needs. At the same time, my Committee consider it their duty to bring it to the notice of Government that this pilgrimage to Gaya in these days is a very important function which it is considered a sacred duty of every Hindu to fulfil. There are certain pilgrimages, which are of significance and importance in the life of the Hindus and the pilgrimage to Gaya during this period is

one of them. This pilgrimage has been stopped, my Committee are informed, for the last three years, and it has naturally pained the Hindus to a considerable extent. My Committee, therefore, under the circumstances, request that Government will be pleased in the future to provide proper facilities for the pilgrimage of all communities in the country, consistent with movement of essential commodities and foodstuffs, and they will not completely block any travel incidental to such pilgrimages.

Letter No. 1930-T.T., dated 25th October 1942, from Railway Board, New Delhi, to Chamber.

I am directed to acknowledge receipt of your letter No. 3557, dated the 9th October 1942, addressed to the Secretary, Government of India, Communications Department, on the subject noted above, and to state that the Railway Board regret that they have had to impose restrictions on pilgrim traffic in India, but this step has been forced on them by the exigencies of the prevailing rail transport situation.

APPENDIX 30

References from the Indian Railway Conference Association re: Changes in Classification

Letter No. 2267, dated 27th May 1942, from Chamber to the Secretary, the Railway Conference Association, New Delhi.

I am directed to refer to your circular letter No. T.97/XXXIV/5 of the 2nd instant on the above subject. My Committee are in agreement with the proposal of the Upper India Chamber of Commerce that an owner's risk rate for medicines should be introduced. In view of the improvement in packing conditions the risk of breakage in transit has considerably reduced and it is but fair that the benefit of this improvement should go to the trade by their being allowed to transport the same at a reduced rate at their own risk. It is, therefore, suggested that steps may be taken to introduce an owner's risk rate from an early date.

Letter No. 2268, dated 27th May 1942, from Chamber to the Railway Conference Association, New Delhi.

I am directed to acknowledge receipt of your circular letter No. T.97/XXXIV/5 of the 10th April 1942, on the above subject. My Committee are opposed to the proposal for including celery seeds in the classification applicable for spices, viz. 4-A.R.R., 4-O.R. and, in their opinion, the same should as heretofore be charged as seeds N.O.C., viz. 2-R.R. The trade in celeryseeds has developed only recently. The value, my Committee understand, fluctuate according to crop available in Europe. At any rate, the present prices should not be taken as a guide for the simple reason that the prices of most articles, on account of the war demand and non-availability of alternative sources, have gone up. It is also pertinent to point out that forward contracts for sales have been entered into on the basis of the existing railway freight and if now the freight rate is increased, exporters and shippers at port centres would be put to considerable loss. My Committee are opposed to the proposal and request that the present arrangements should continue.

APPENDIX 31

Trunk Telephone Accounts

Letter No. 387, dated 9th February 1942, from Chamber to the Director-General of Posts and Telegraphs, New Delhi.

The attention of my Committee has been drawn to the unsatisfactory nature of the system of accounting of Trunk Telephone Bills at present followed by your Department and the consequent inconveniences caused to the users of the telephone service. The bill is issued by the Central Telephone Revenue Accounting Office, Delhi, and is payable in any head or sub-post office where there is a telephone system. The office of receipt, it is expected, would advise the Accounting Office at Delhi immediately on receipt of payment. It often happens that through some departmental irregularity or act of omission, the advice is not promptly received or taken note at the Accounting Office, with the result that, in terms of the rules, after a period of seven days from the date of the

bill, the facility of the Trunk Service is denied to the subscriber concerned. Complaints of this nature have reached my Committee more than once. I am, therefore, directed to address you in the matter, with a request that immediate steps be taken to set right the system so that the subscriber is not made to suffer for a departmental lapse of the kind under reference.

A striking instance of the extremely unsatisfactory nature of the working of the present procedure was brought to the notice of my Committee recently. The facts of the case may briefly be stated as under: Sir Kikabhai Premchand, an esteemed member of this Chamber, received on 10th December 1941 a bill dated 4th December 1941 for Rs. 16-14 in respect of Trunk calls made from Bombay Telephone No. 40802. The bill was promptly paid on the following day, i.e. on the 11th December 1941, at the Stock Exchange Post Office, Bombay, for which a receipt No. 0081 was issued by that office. A notice, however, was received under date Delhi, 17th January 1942, No. 575/E, stating that as the bill in question had not been paid, the facility of the Trunk calls would be withdrawn if payment was not received before 27th January 1942. Immediately on receipt of the notice, the subscriber sent a letter dated 21st January 1942, addressed to the Accounting Officer, communicating to him the fact of the payment having been made and expressing surprise at the departmental irregularity. The receipt in question was also shown to the local operator. Notwithstanding this, when a Trunk call was booked from that number on 27th January 1942, the operator informed the party that connection would not be given as the number had been put on the proscribed list. You can imagine the annoyance and inconvenience caused to a subscriber for being denied the use of the service for no fault of his. It must be emphasised that, in this particular case, the departmental irregularity is aggravated by the fact that even a letter addressed to the Accounting Officer apprising him of the fact of payment was not taken notice of or was not acted upon; moreover, when the receipt for the bill was shown to the local operator, there was no meaning in cutting out the service just because of the non-receipt of an advice from Delhi.

My Committee request that you will be good enough to look into this matter and to bring about such changes in the procedure and rules governing the maintenance of the Trunk Telephone Accounts as would prevent a recurrence of a mischief of this character. In particular, it is necessary so to revise the rules as to ensure that respectable subscribers are not blacklisted in this summary fashion.

Letter No. T-674|42, dated 29th July 1942, from the Indian Posts and Telegraphs Department, New Delhi, to Chamber.

In continuation of this office letter No. IRT-2001/42, dated the 19th February 1942, I am directed to forward herewith for your information a copy of this office letter No. T-674/42, dated the 29th July 1942 to the complainant, Sir Kikhabhai Prem Chand, 63, Apollo Street, Bombay.

INDIAN POSTS AND TELEGRAPHS DEPARTMENT

OFFICE OF THE DIRECTOR-GENERAL OF POSTS AND TELEGRAPHS

To Sir Kikhabhai Prem Chand,
63, Apollo Street, BOMBAY.

No. T-674/42, dated New Delhi, the 29th July 1942.

Sir,—In continuation of the Director-General's D.O. letter, dated the 4th February 1942, I am directed to state that the incident of which you complain was a result of an unfortunate omission on the part of the Telephone Revenue Accounting Office, Delhi, to verify before issuing a reminder, as to whether the bill had actually been paid in the meantime. In this connection it may be stated here that at the time of the present emergency, the office of the Accounts Officer, Telephone Revenue, which has to cope with an abnormally heavy rush of work, has to employ new hands, who are not at first conversant with the rules of procedure. It has been reported to me that the Accounts Officer, Telephone Revenue, has already stated the position to you and has expressed his regret.

2. As regards the refusal of the operator on 27th January to allow a trunk call, the proscription list shows only the telephone numbers and the trunk record operator was not in a position to know who the subscriber was. If the trunk operator or the enquiry operator had been apprised of the fact

that the bill had been paid in the meantime, or the name of the subscriber had been disclosed to him, this unfortunate incident would not have happened. From the enquiries made it transpires that the proof of payment of the bill was produced to the telephone authorities on the 28th January 1942 and the number was then removed immediately from the proscription list.

3. Action has been taken to avoid such incidents in future and it is hoped that you will not have occasion to complain again. The inconvenience and annoyance caused to you are much regretted.

APPENDIX 32

Wadi Bunder Goods Shed — Sunday Working*

Letter No. CG.2|213.P.VI, dated 30th December 1941, *from the Chief Traffic Manager, G.I.P. Railway, to Chamber.*

In continuation of my letter CG.2/213.P.VI of 9-12-41, I beg to refer you to para. 8 of the Memorandum of Meeting held at the Indian Merchants' Chamber on the 17th September 1941. The question of the Shops and Factories Acts operating against merchants being allowed to remove goods on Sundays from railway depots and to keep their shops and warehouses open for reception of such goods, has been considered by the Government of Bombay, and I enclose, for your information, a Memorandum explaining the views of Government on this question. It would appear that these two Acts do not in any way hamper the delivery and removal of goods on Sundays.

2. I should be much obliged if your Chamber would, therefore, let me know whether your members are prepared to co-operate with the Railway in taking delivery of goods on Sundays and holidays from the Wadi Bunder Goods Depot.

3. A reference to the E. I. Railway shows that that Railway is permitting a certain amount of delivery of goods on Sundays at Howrah and at other Calcutta stations, and for

* Previous correspondence on the subject is printed on p. 179 of the Report for 1941.

this purpose, facilities for delivery have been provided by that Railway.

4. As soon as I am assured that the public in Bombay will co-operate with me in removing their goods on Sundays and holidays, I am prepared to put an additional staff at Wadi Bunder to enable deliveries to be effected throughout the day on these days.

5. Will you kindly let me hear ?

COPY

No. O/23664-E.
Political and Services Department,
Bombay Castle, 18th Dec. 1941.

Subject : Persons employed on loading and unloading of goods at Wadi Bunder.

MEMORANDUM

The undersigned presents compliments to the Secretary, Board of Transport, General Department, Bombay, and, with reference to his endorsement No. 4725/33-G(Spl.), dated the 11th December 1941, is directed to state that it is not clear why the work of loading and unloading on Sundays and holidays at Wadi Bunder should be hampered by the operation of either the Shops Act or the Factories Act. So far as the Factories Act is concerned, persons engaged by factories for transport purposes or in connection with loading and unloading at railway yards are not governed by restrictions laid down in the Act. As regards the Shops Act, sections 4(1)(c) and 4(1)(d) of the Act specifically exempt persons exclusively engaged in preparatory or complementary work such as clearing or forwarding clerks responsible for the despatch of goods by rail, or persons exclusively employed in the collection, delivery or conveyance of goods from the provisions of the Act. Besides, the Act does not require the closure of an establishment on Sunday or any other day. There is, therefore, no apparent reason why the merchants should not be able to do any loading or unloading on Sundays and holidays at Wadi Bunder because of the operation of these Acts.

By order of the Governor of Bombay,
(Sd.) J. CHAVES,
for Chief Secretary to the Government of Bombay,
Political and Services Department.

Letter No. 55, dated 7th January 1942, from Chamber to the Chief Traffic Manager, G.I.P. Railway, Bombay.

I am directed to acknowledge receipt of your letter No. CG.2/213.P.VI., dated 30th December 1941. In the letter of my Committee to you dated 1st November 1941, it was mentioned that if the depots were kept open for clearance on Sundays, the existing rule for treating Sundays as *dies non* for Railway wharfage should not be withdrawn. You will remember that even at the conference held in the rooms of this Chamber the question was put to you whether Sundays would be considered as *dies non* for purposes of wharfage if Sunday working was introduced. As there was no reply with regard to this particular query conveyed to you in my letter of the 1st November, the merchants who assembled in the rooms of the Chamber on 21st November 1941 felt that Sunday working would not be suitable, a view which I conveyed to you in my letter of the 28th November.

In the second paragraph of your letter, you ask if the members of the Chamber are prepared to co-operate in taking delivery of goods on Sundays and holidays from the Wadi Bunder goods depot. The response of our members will depend upon two factors ; one is that such a delivery should be entirely voluntary, and the second is that Sundays should be considered as *dies non* for purposes of wharfage. If your reply is satisfactory on both these points, my Committee will be glad to get and secure the co-operation of our merchants with regard to taking delivery on Sundays and holidays.

Letter No. CG.2|213.P.VI., dated 28th May 1942, from Chief Traffic Manager, G.I.P. Railway, to Chamber.

In my letter No. C.G.2/213-VI of 2nd March 1942, I advised you that the inward goods sheds at Wadi Bunder will be open for Sunday delivery on and from 15th March 1942, and that Sundays will continue to be treated as *dies non* for wharfage.

2. The response to this letter continues, I regret to say, to be exceedingly poor, in spite of my further repeated requests asking for better co-operation. The latest figure, that is on 24th May 1942, was 42 deliveries against a week day average of 333 deliveries during the preceding six days.

3. At the present moment, inward traffic to Wadi Bunder is not brisk, and can be cleared in the normal way, and I, therefore, do not propose at present altering the status of Sundays in regard to wharfage charges. Inward traffic, however, fluctuates, and if at any time despatches to Wadi Bunder increase necessitating prompt clearance of goods, I must advise you that it will be necessary for me to cancel Sundays as a *dies non* for wharfage.

4. Notice will be given to the Trade of any such decision, but it is anticipated that it will not be possible to give any lengthy notice.

5. I shall be glad if you will kindly inform all members of your Chamber accordingly.

Letter No. 2398, dated 12th June 1942, from Chamber to the Chief Traffic Manager, G.I.P. Railway, Bombay.

Your letter of the 28th May 1942, No. C.G./2/213-P.VI was considered by the Committee of the Chamber. While my Committee regret that the response for Sunday working for clearing goods has not been so good as was expected, they would like to draw your attention to certain factors of the situation. It would be remembered that representatives of this Chamber met yourself and the Goods Superintendent in the office of the latter on the 5th May 1942. There were certain suggestions made by the Chamber's representatives and by the Carting Agents' Association, of which a note was taken at the time, and it was agreed by the Railway Officers concerned to examine the possibility of the suggestions made. The note which summarises the proceedings of that meeting states that there is a case for appointment of additional Section Foreman and you also agreed to no Section Foreman being allotted more than 3 sections at any time and asked the G.S. to let you know what additional men he would require to implement this. The note also states that as regards Tally Clerks, orders already exist, regulating the number of wagons to be handled by each Tally Clerk.

My Committee trust that action has been taken on all these lines, so as to facilitate clearing of goods with the least possible delay.

With regard to the understanding that the Indian Merchants' Chamber would move in the matter of relaxation of the limitations under the Shops Act, my Committee convened two meetings of the different trade interests. It is felt that at present, as you yourself have said, inward traffic at Wadi Bunder is not heavy, and so it is not necessary to approach Government for relaxation of the rules and regulations under the Shops Act. At the same time, my Committee may be allowed to point out that there will be no justification for the withdrawal of the *dies non* arrangement with a view to bringing pressure for effecting greater clearance on Sundays. Moreover, Sunday working was introduced on the clear understanding that Sundays would continue to be treated as free days for wharfage purposes.

If at a later stage, traffic conditions necessitated a larger and more expeditious clearance on Sundays, the Government of Bombay will be approached by us to exempt from the Bombay Shops and Establishments Act relating to weekly days of rest employees of merchants who would be required to attend to such clearance on Sundays and the Railway Company will be requested to support the proposal.

It is suggested that the officials of the Railway in charge of the Depot, as distinguished from the clerical staff, may also be required to be present at the sheds on Sundays as in actual working practical difficulties had been experienced by clearing agents on account of the absence of the former.

Letter No. C.G.-2/213-VII, dated 17th November 1942, *from the Chief Traffic Manager, G.I.P. Railway, Bombay, to Chamber.*

Although it is seven months since the depots at Wadi Bunder were opened for delivery on Sundays, the mercantile community's response to this facility has been very poor. While the average number of daily deliveries on week days has been in the neighbourhood of four hundred, it has been only about 30 on Sundays. I had previously invited your attention to this aspect. The Railway has provided additional staff to afford this facility to the trade and as this has not been availed of to the extent expected this expenditure seems unjustifiable.

2. The Board of Transport have suggested that orders to treat Sundays as *dies non* should be cancelled as early as possible, but, in the hope that this step may still be averted, I have devised a *via media* and herewith furnish details of the arrangement that will take effect on and from 1st December 1942 :—

(1) Deliveries on Sundays will be effected only between 8 to 16 o'clock.

(2) Goods made available for delivery upto 14 o'clock on a Sunday will be allowed to remain free of wharfage only till closing time on the following Monday.

(3) Goods unloaded and linked to the relative documents between 16 o'clock on Saturday and 14 o'clock on Sunday may be cleared before closing time on Monday only, free of wharfage.

3. I have every hope that your members will co-operate with us and clear the traffic as expeditiously as possible to avoid congestion in the sheds which now occurs particularly on Monday and Tuesday mornings.

APPENDIX 33

Telegraphic Advices regarding Cotton Shipments

Letter No. 545, *dated* 21*st February* 1942, *from Chamber to the Chief Censor, New Delhi.*

The attention of my Committee has been drawn to the difficulties experienced in the matter of despatching telegraphic advices of the delivery of raw cotton against sales to the Cotton Importers and Distributors, Ltd., Liverpool, on account of the British Ministry of Supply. According to instructions received by shippers and sellers the information about delivery has to be cabled to the Cotton Importers and Distributors, Ltd., Liverpool, in the following manner :

"City of Bombay 1000 bales cotton
your purchase No.....".

It would appear that the censorship authorities here are not allowing the mention of the name of the steamer in such messages. The buyers' instructions require the name of the steamer to be mentioned. It occurs to my Committee that perhaps this information is essential in order to enable them to arrange for their insurance, etc. A member of this Chamber had pointed out the above difficulty to the Shipping Representative in India of His Majesty's Government Ministry of Supply, Bombay. I am sending to you herewith a copy of the reply received from that official from which you will find that the party concerned has been advised to approach you through this Chamber.

My Committee have, therefore, to request you to kindly look into this matter and to arrange, as suggested by the Representative of the British Ministry of Supply, to bring about a satisfactory scheme under which, while ensuring secrecy of the movement of steamers, intimation about delivery and shipment, etc. to the Cotton Importers and Distributors Ltd., Liverpool, or the British Ministry of Supply, would be made possible.

The same difficulty arises in respect of shipments made to private parties both in U. K. and other countries. At present intimation about such shipments and the name of the steamer are not allowed to be communicated to buyers in foreign countries. In such cases also the possibility of making some special arrangements for such advices should be examined.

My Committee request that you will kindly give this matter your early attention.

Letter No. 45693/IV|Censors, dated 27th March 1942, from the Chief Censor, New Delhi, to Chamber.

With reference to your letter No. 545, dated 21st February 1942, I have the honour to inform you that the question of the shipping information which may or may not be included in telegrams is under investigation and it is hoped that a decision may be reached in due course.

APPENDIX 34

Cart-chits for Export Cargo

Letter No. C.|16-3/3331, dated 13th October 1942, from the Bombay Port Trust to Chamber.

I have to acknowledge your letter No. 3568 dated the 10th instant and to state that this Department holds a receipt in the Despatch Book for this office No. C./16-3/3068, dated the 25th ultimo.

However, a copy is subjoined and I shall be glad to have your early reply thereto :

"I beg to inform you that it has been proposed by the Collector of Customs that cart-chits for goods brought down to the Docks for shipment should be standardized and should be entered in English and the Vernacular. The object is to facilitate check at the Dock gates.

I shall be glad to know at your early convenience whether there is any objection to this proposal from your point of view."

Letter No. 3628, dated 28th October 1942, from Chamber to the Manager, Bombay Port Trust Docks, Bombay.

With reference to your letter No. C./16-3/3331 of the 13th instant, my Committee have considered the proposal in question. They have also consulted interests directly affected by the change. The proposal of the Collector that cart-slips should be entered both in English and vernacular will result in great hardship as a large number of people engaged in this type of work do not know English. The present practice of furnishing the particulars either in English or in Gujerati should, therefore, be continued. My Committee further do not see any justification for the change as the Port Trust and Customs authorities can, without much difficulty, arrange that the staff concerned with checking of movements of such carts knows Gujerati also. In any case, the present practice, so far as the information of my Committee goes, has not been found to be defective, and they, therefore, hope that the proposal will be dropped.

Letter No. C./16-3/3761, dated 18th November 1942, from the Bombay Port Trust to Chamber.

In continuation of this office No. C./16-3/3067, dated the 25th September 1942, I have to inform you that the Collector of Customs has directed that the Shipping Bill No. and Date should be entered in the cart-chits covering goods brought for shipment in the Docks. The Collector does not propose insisting on the cart-chits being written in English.

I shall be glad if these instructions are given publicity amongst your members.

APPENDIX 35

Foreign Money Orders by Airgraph

Letter No. F.M.-19/4, dated 28th October 1942, from the Postmaster-General, Bombay, to Chamber.

I have the honour to say that the question of utilizing the Airgraph service for small remittances to the United Kingdom, say upto the limit of £10 by means of Airgraph money orders, is under consideration. The limit of £10 is based on the assumption that any one wishing to send larger amounts would do so either through a bank or by means of telegraphic money orders.

It is proposed to levy the usual money order commission for ordinary sterling money orders plus a supplementary fee of 2 annas on every Airgraph money order in addition to the usual Airgraph fee of 8 annas.

The time taken in transit for an Airgraph money order will be the same as for Airgraph letters to the United Kingdom, viz. between 2 and 3 weeks.

I shall be obliged if you will kindly intimate the attitude of your Chamber to the proposal and communicate its views as to whether there is likely to be any demand for the Airgraph money order service to the United Kingdom under the conditions stated above.

Letter No. 3668, dated 4th November 1942, from Chamber to the Postmaster-General, Bombay.

I am directed to acknowledge receipt of your letter No. F.M.19/4 dated 28th October 1942.

My Committee have noted that it is proposed to introduce a system of money orders by Airgraph upto a sum of £10. They approve of the same, as the facility is likely to be availed of by people who have to send small remittances to the United Kingdom.

APPENDIX 36

Petrol Rates for Heavy Lorries

Letter No. 129, dated 15th January 1942, from Chamber to the Department of Commerce, New Delhi.

The Committee of this Chamber have received complaints from the Bombay Motor Lorry Owners' Association to the effect that the recent heavy reduction in the rationing of petrol has proved almost disastrous to them. It must be noted that the Motor Lorry Owners' Association does not demand any increase in their rationing for lorries moving outside Bombay. They want, however, some facilities for lorries working in the City. The heavy lorries of the City consume from 5 to 6 gallons of petrol a day, as their consumption is only 5 to 6 miles a gallon. Public and military transport in the City has increased, after the war, by about 50 per cent, while the petrol supply has been reduced by 50 per cent. The present supply of 3 gallons a day is not at all sufficient to meet their necessities. Even this amount, however, has been reduced according to the new arrangement. This practically makes it impossible for the lorries to ply their trade. The reaction of this on the trade and industries will be immense, as they will find it impossible to move their goods and to have their requirements without the help of lorries. Bullock traffic has practically been eliminated by the motor lorries, and even if it is proposed to revive the same, it cannot be revived within a short space of time. If trade and industries are to be kept going on, it is vitally essential that motor lorries running in Bombay City limits at least should not have their supply of petrol reduced.

Letter No. 4576/4/1846-E, dated 5th March 1942, from the Home Department, Government of India, to Chamber.

With reference to your letter, No. 129, dated the 15th January 1942, addressed to the Government of India, Department of Commerce, on the subject mentioned above, I am directed to state that after the devaluation of the unit with effect from 1st January 1942, the ration of motor lorries like that of private vehicles should ordinarily have been reduced by 50%, but was actually reduced to the extent of 25% only, and further in the case of heavy motor vehicles, which ply mostly in Bombay City, to the extent of only 20%. Government considers that motor lorries in Bombay City have been liberally rationed and regrets that, in view of the urgent need to enforce economy in the consumption of petrol, it is unable to comply with your request for an increase in the ration.

APPENDIX 37

Restriction on Private Motor Lorries carrying Persons other than Coolies

Letter No. 500, dated 18th February 1942, from Chamber to the Provincial Transport Board, Bombay.

My Committee are given to understand that owners of motor vehicles (private carriers) are precluded from carrying their clerical and other staff in such vehicles or using them even for their personal purposes ; it appears that only coolies required to load and unload goods are allowed to be carried. In these times on account of petrol rationing and the general transport shortage, it is necessary that restrictions of this kind should be relaxed. Owners of such vehicles may often have to send their clerks or other staff by such carriers in connection with their business requirements. Government, while they may take the necessary precaution to see that private carriers are not used for carrying people for hire, should so modify the rules as to allow the unrestricted use of such vehicles for all the business and personal requirements of the owners.

Letter No. O/1076, dated 14th March 1942, from the Provincial Transport Authority, to Chamber.

With reference to your letter No. 500, dated 18th February 1942, I have the honour to invite your attention to sub-rule (4) of rule 93 of the Bombay Motor Vehicles Rules, 1940, and to advise you to apply to the Regional Transport Authority concerned in the matter if you so desire.

II. FINANCE, TARIFF AND TAXATION

APPENDIX 38

Budget of the Government of India, 1942-43

Telegram dated 2nd March 1942, from Chamber to the Finance Department, Government of India, New Delhi.

The Budget placed before the Legislature by Honourable the Finance Member, Government of India, is the Budget of an Official born and brought up under the traditions of an old-time India. Committee, Indian Merchants' Chamber, have, however, to consider it from an angle of vision of an Indian Finance Member if India had a national Government of her own. The Military Budget which was considered very high at rupees forty-five crores has now flown upto rupees one hundred and thirty-three crores, the daily war expenditure being rupees forty lakhs. Over and above this, there is still the other indirect war expenditure amounting to about rupees four hundred crores which is proposed to be recovered from the British Government. A large part of the Civil expenditure also including A. R. P. and other Civil defence expenses amounting to rupees four crores will be really Military expenditure. The total expenditure will thus be a heavy burden on a poverty-ridden country like India whose economic resources are never great. The Committee realize that defence purposes in modern times require a colossal outlay. They would not have minded and they would not mind a big expenditure provided the moneys were spent to build up a real defence position for this country. They are, however, afraid that the crores which were spent in past years have failed to build up such a strong defence position. It was pointed out last year that the frontiers of India were extended on the East to Singapore and on the West to Egypt. Looking to the recent tragic and calamitous debacle in Singapore all the moneys spent on the frontier position on the East specially have apparently gone in vain. Singapore, considered to be an impregnable fortress, fell within a week. And the Malayas and Hongkong also similarly went

down. Committee feel that if timely air help had been given to those places they might not have fallen and India might have been saved from an imminent war danger. Committee will not mind even more money being spent on the defence of the country at this very critical stage provided a Ministry responsible to the people was at the helm of the country and provided that a strong defence position was put up for the air and naval arms. The taxation levied in the shape of increase in the surcharges on income-tax and super-tax will press heavily upon the industries, trade and commerce. The Honourable the Finance Member referred to the war as giving certain advantages to this country. The advantages thus gained may be offset by practically a large portion of the profits being taken away in the shape of increased taxation. Industries, trade and commerce, however, will be willing to bear this additional burden provided we are convinced that the moneys were spent under such Indian scrutiny and control that the public would feel assured that they were getting their money's worth. Committee welcome the all-round twenty per cent surcharge in the Customs duties but would suggest that articles like kerosene which are essential for a poor man's budget and also stores essential for staple and war industries of the country should be exempted from the increase. The Finance Member has referred in his speech to the efforts being made to increase the number of officers in the Army, Navy and Air Force. Committee cannot say that they are satisfied with what has been achieved already nor with the efforts which are being put forward. Raising of one million men in a population of four hundred millions cannot be deemed to be satisfactory still less satisfactory is the position with regard to officers about whose recruiting and training Committee find there is an air of distrust and suspicion. Still greater is the case with regard to the Air Force. While they have reasons to believe that there is a big empire training centre in Canada where thousands of pilots are being trained, India has to rest content with a few hundred officers when modern defence operations have shown that it is the Aerial Forces which count for everything. Committee strongly urge that Government should do their best in recruiting and training up officers for the

Army, Navy and Air Force and to have aeroplane factories and automobile factories also if India has to play her full part in her own national defence. Any lingering distrust and suspicion should be entirely eliminated as they are proving a great handicap in the work of raising adequate forces for our own national defence. Committee cannot approve of the proposals to reduce the income-tax limit and bring in the lower middle-class people. In his proposals to tax the lower incomes and to introduce a scheme of savings, the Finance Member has shown an overbearing anxiety to put a check on private spending and to avoid what has come to be known as inflationary tendencies in this country. It may be pointed out that his proposals are in facile imitation of what has been done in the United Kingdom. Here, particularly among the lower middle classes and the poor classes, the position is such that even under ordinary circumstances the income is not sufficient to meet the necessities of life. The position has been accentuated by the inevitable rise in the prices under the war conditions and it is ignoring the realities of the situation to suggest under such circumstances the need for check on private spending. While, therefore, the national savings scheme as adumbrated in the Budget may appear on paper very sound and enunciating, a new policy in actual practice it will lead to hardships amongst those affected.

APPENDIX 39

Revenue Payments by Cheques

Letter No. 3805|33-*A, dated* 15*th June* 1942, *from the Finance Department, Government of Bombay, to Chamber.*

With reference to the correspondence ending with my letter No. 3805/17884-A, dated the 8th August 1941, on the subject noted above, I am directed to state that Government has decided that at places, where the cash business of the Treasury is conducted by a branch of the Imperial/Reserve Bank of India, cheques on local banks should be accepted in payment of Government dues or in settlement of other transactions with the Government if the cheques have been

crossed by the drawer. Until, however, a cheque has been cleared, the Government cannot admit that payment has been received and consequently, final receipt shall not be granted when a cheque is tendered. A receipt for the actual cheque only will be given in the first instance, if a person making payment in this manner so desires, a formal payment receipt will be sent to his address after the cheque has been cleared. Collection charges of the Bank, if any, which should previously be ascertained by the payer, will have to be included in the cheque for the payment of Government dues or may be paid in cash.

Letter No. 2524, *dated 27th June* 1942, *from Chamber to the Finance Department, Government of Bombay.*

I am directed to acknowledge the receipt of your letter of the 15th June 1942, No. 3805/33-A, on the above subject.

My Committee note that Government have decided that at places where cash business of the Treasury is conducted by a branch of the Imperial/Reserve Bank of India, cheques on local banks should be accepted in payment of Government dues or in settlement of other transactions with Government if the cheques have been crossed by the drawer. While appreciating the concession, my Committee would like to bring to the attention of Government that in the interests of facilities to the public, they can very well proceed much further with regard to these concessions. In the first place, it should be made clear as to what are the local banks. There may be small places where there may be no local banks at all or there may be places where there may be one or two small banks. My Committee suggest in this connection that cheques on all scheduled banks may well be accepted by Government. It is suggested by Government that such cheques on banks should be accepted where there are branches of the Imperial/Reserve Bank of India. Such a stipulation takes away much from the concession given to the public. Take, for instance, the example of places like Mahableshwar or Matheran or even so many other mofussil places where there may be no branches of Imperial/Reserve Bank of India. It is extremely inconvenient to the public rate-payers that they are now allowed to give cheques in payment of Government dues. My

Committee beg, therefore, strongly to suggest that Government may well henceforth be pleased to lay down that all cheques on scheduled banks may be accepted in payment of Government dues whether there are branches of the Imperial/ Reserve Bank of India at particular places or not. This has been done by Government in the Bombay Suburban district and people have received a good deal of convenience and relief from the same. If the concession is extended to the whole of the Province, it would be a great facility to the public for payment of Government dues.

In the last sentence of your letter, it is stated that collection charges of the Bank, if any, which should previously be ascertained by the payer, will have to be included in the cheque or may be paid in cash. There is also an understanding that a final receipt shall not be granted when a cheque is tendered, but it shall be granted only when the cheque has been cleared. These two precautionary measures will surely ensure that Government will not lose in revenue if the concession is extended as suggested by my Committee.

Letter No. 3805|33-*A, dated 3rd August* 1942, *from the Finance Department, Government of Bombay to Chamber.*

With reference to your letter No. 2524, dated the 27th June 1942, on the subject noted above, I am directed to state that the term 'local banks' is defined as "banks (including the Reserve Bank and Imperial Bank of India) located in a station in which a Bank Treasury is situated". The condition of daily clearance is an essential feature of the system of payment by cheques which are not deemed acquittance in full until the cheques are actually cleared. If acceptance of cheques is not restricted to those drawn on local banks, the above condition will not be fulfilled. In these circumstances Government cannot, it is regretted, accede to your request that the cheques on all scheduled banks may be accepted in payment of Government dues whether there are branches of the Imperial/Reserve Bank of India at the particular places or not.

APPENDIX 40

Contributions payable by the Municipal Corporation for the Improvement Schemes

Press Note dated P-643|3-742, from the Government of Bombay to the Public.

The Government of Bombay has invited public opinion on a proposal to reduce the contribution of the Bombay Municipal Corporation for improvement schemes to a sum equal to twice the amount of the yearly net realizations of the Corporation under general tax or payments in lieu of general tax divided by the rate fixed for the tax for the year.

The principle of the Corporation contributing out of revenue for the purpose of improvement schemes in the City of Bombay dates from the enactment of the City of Bombay Improvement Act, 1898, Section 72 of which provided for payment by the Corporation to the City Improvement Trust of a yearly sum not exceeding two per cent on the total rateable value of all buildings and lands in the city. By an amending Act of 1913, the sum payable was altered to a sum equal to double the amount of the actual net realizations of the Corporation in the preceding financial year under the head of general tax or payments in lieu of general tax (including arrears and payments in advance) divided by the rate fixed for the general tax for the financial year. A similar provision was continued in the City of Bombay Improvement Trust Transfer Act, 1925.

With effect from October 1, 1933, upon the amalgamation of the City Improvement Trust with the Corporation, the principle of a contribution from the ordinary revenue of the Corporation to an improvement schemes account was adhered to, although such a payment no longer involved transfer of money from one legal corporation to another. All improvement schemes finance was included in a separate budget B and rules for an improvement schemes account were laid down in the new Schedule BB of the Act. At that time it was considered that the contribution made from the general

revenue to the improvement schemes account should be increased in order to meet the deficits then apprehended to be likely in connection with improvement schemes. Accordingly, in Rule 5(4) of Schedule BB, it was provided that the contribution to the general account for improvement schemes purposes should be *three times* the actual net realizations of the Corporation in the preceding year under the head of general tax or payments in lieu of general tax (including arrears and payments in advance) divided by the rate fixed for the general tax for the financial year.

In recent years the Corporation has lost a substantial amount of revenue by the abolition of town duty on cotton, the excise compensation and the withdrawal of grant-in-aid out of the proceeds of tobacco duty. On the other hand, there has been a considerable increase in expenditure due to extension of Primary Education and improvement in extension of essential services and the provision of new amenities during the last 14 years. The gap between revenue and expenditure was hitherto met by drawings from surplus balances and the excess accumulations in the Special Funds. It is, therefore, necessary that some relief should be afforded to the Corporation in the difficult situation with which it is now faced and for this purpose it is proposed to revert, for a period of three years with effect from April 1, 1942, to the provision for contribution as it was before the amalgamation of the Corporation and the City Improvement Trust, by providing for payment based upon twice the actual net realizations under the head of general tax, instead of three times as at present.

The Government of Bombay considers that before any action is taken, the opinion of the public should be invited on the provisions of the Bill to amend the City of Bombay Municipal Act which has been published in the *Bombay Government Gazette*. Any objections to or suggestions on the Bill should be submitted to the Joint Secretary to the Government of Bombay, General Department, on or before August 1.

Letter No. 2648, *dated* 15*th July* 1942, *from Chamber to the General Department, Government of Bombay.*

Contribution payable by the Municipal Corporation for Improvement Schemes

I am directed to refer to the Press Note No. S-108/12402A, dated the 10th June 1942, and the Draft Bill attached thereto published in the *Bombay Government Gazette*, containing the proposals of the Government of Bombay for reducing the contribution payable by the Municipal Corporation for improvement schemes. In view of the reasons given by Government in explaining the necessity for reducing the contributions as contemplated in the proposals, my Committee generally approve of the same.

APPENDIX 41

Defence Loans—Provision relating to Deduction of Tax at Source

Letter No. 2681, *dated* 18*th July* 1942, *from Chamber to the Finance Department, Government of India, New Delhi.*

A suggestion has been made to the Committee of this Chamber that Government should be requested to consider the desirability of providing that, in regard to any Defence Loans that may be floated in the future, income-tax on the interest should not be deducted at source as at present. In justification of this proposal, it is urged that such a facility would be very much appreciated by the middle-class and the lower middle-class people who have small sums to invest and who at present are practically precluded from taking advantage of Government loans having regard to the difficulties and the inconvenience which they would have to undergo in claiming refund of tax at a subsequent stage. The procedure in regard to making claims and getting refunds is such that the smaller investors fight shy of the same and in order to be free from all such inconveniences, they generally prefer other forms of investments to Government loans. The sponsors of the suggestion also point out that in the U. K. this facility is available in respect of some of the loans, e.g.

in respect of 4 per cent National Savings Bond issued in 1926 and the 3 per cent National Defence Bond issued in 1940 and 1941, it is provided that the tax shall not be deducted at source. My Committee would like to know if there are any practical difficulties, from the point of view of Government, in adopting this suggestion.

Letter No. D-10869-F, dated 7th October 1942, from the Finance Department, Government of India, New Delhi, to Chamber.

With reference to your letter No. 2681, dated the 18th July 1942, I am directed to state that a relaxation of the provisions of Section 18(3) of the Income-tax Act (which would necessitate legislation) in the case of the small investor is not practicable since the person responsible for paying interest will have no information as to the income or tax liability of the investor. In the circumstances the Government of India are unable to accept the suggestion made in your above quoted letter, but I am directed to invite attention to the proviso to Section 18(3) which provides for the grant of exemption on abatement certificates by the Income-Tax Officer.

APPENDIX 42

Customs Duty on Bandsaw Steel imported from U. S. A.

Letter No. 3353, dated 28th September 1942, from Chamber to the Central Board of Revenue, New Delhi.

The Committee of this Chamber have received a complaint from a member-firm of the Chamber, Messrs. Sunderdas Saw Mills, Bombay, that two consignments of Bandsaw Steel imported by them from U. S. A. during October-November, 1941, were charged Customs duty at 25 per cent while the duty assessable on the same imported in the form of Bandsaw blades, i.e. duly toothed, is only 10 per cent. As the material was required by them urgently for executing important war orders, the duty was paid under protest and a claim was submitted for refund to the Assistant Collector of Customs, Appraising Department, Bombay. He, however, maintained

that on the material imported, the duty had been correctly assessed at 25 per cent and there was no refund due regarding the same. On this order, the firm appealed to the Collector of Customs, Bombay, to reconsider the case and arrange for refund of excess duty collected. The Collector of Customs rejected the appeal.

My Committee have considered this matter and they feel that the contention of Messrs. Sunderdas Saw Mills for the duty being collected under Item 72(3) of the Indian Customs Tariff is justifiable, as the Bandsaw Steel has been supplied by well-known manufacturers of Bandsaws and the only process the steel would undergo here would be toothing it according to the requirements of their factory. The process of toothing according to the requirements of the factory should not be considered as making any improvement or effecting any change or subjecting the article to any re-manufacture of the steel. The Bandsaw steel as imported, is fitted in the Bandsaw operating wheels—the only change being operation of toothing according to the requirements of the factory ; otherwise, for all essential purposes, the article is imported in a perfectly finished form mechanically ground, levelled and perfected by the makers.

The Order of the Collector of Customs dated 28th May, 1942, a copy of which is enclosed herewith, states in the 3rd para that " the steel in the condition in which it was imported was material for the manufacture of Bandsaw blades and though it may be of special quality, the process of toothing requires skilled labour and constitutes a material alteration to the blades in the firm in which they are imported." My Committee are assured, in this connection, that the process of toothing does not require any skilled labour and no material alteration is made by toothing the Bandsaw steel. The importers, in this regard, are even prepared to give a practical demonstration showing that the process of toothing is an insignificant operation and does not require any skilled labour.

Under the circumstances, my Committee feel that the objection raised by the Collector of Customs in assessing the steel under Item 63(28) of the Indian Customs Tariff is not

justified, the article imported being for all practical purposes, finished and perfected by the makers. Again, the Bandsaw steel may be considered as a raw material for Bandsaw blades, i.e. duly toothed, and the assessing of the import of the former at 25 per cent duty would be tantamount to charging the raw material a higher duty than the finished article. The Committee of this Chamber have several times drawn the attention of Government to cases in which raw materials have been charged a higher duty than the finished goods and in some cases, Government were pleased to accept their contention and to reduce their duty.

My Committee hope that the refund claimed by the Company in question will be granted.

Letter No. C. No. 1004-Cus.|42, dated 13th October 1942, from the Central Board of Revenue, Government of India, New Delhi, to Chamber.

With reference to your letter No. 3253, dated the 28th September 1942, I am directed to invite your attention to the provisions of Sections 188 and 191 of the Sea Customs Act, 1878, a copy of which is enclosed. It will be observed that a representation against an order in appeal passed by an officer of Customs can only be considered by the Government of India on an application being made to them by the person who is aggrieved by the decision contained in such order. I am accordingly to suggest that you advise the member-firm concerned of your Chamber to apply in revision under Section 191 of the Act against the order in appeal of the Collector of Customs to which you refer. The application should be addressed to the Joint Secretary to the Government of India, Finance Department (Central Revenues), Simla, and should be accompanied by a stamped copy of the order complained of.

EXTRACTS OF SECTIONS 188 AND 191 OF THE SEA CUSTOMS ACT, 1878

Section 188.—Any person deeming himself aggrieved by any decision or order passed by an officer of Customs under this Act may, within three months from the date of such decision or order, appeal therefrom to the Chief Customs

authority, or, in such cases as the Central Government directs to any officer of Customs not inferior in rank to a Customs-collector and empowered in that behalf by name or in virtue of his office by the Central Government.

Such authority or officer may thereupon make such further inquiry and pass such order as he thinks fit, confirming, altering or annulling the decision or order appealed against :

Provided that no such order in appeal shall have the effect of subjecting any person to any greater confiscation penalty or rate of duty than has been adjudged against him in the original decision or order.

Every order passed in appeal under this section shall, subject to the power of revision conferred by Section 191, be final.

* * * *

Section 191.—The Central Government may, on the application of any person aggrieved by any decision or order passed under this Act by any officer of Customs or Chief-Customs authority, and from which no appeal lies reverse or modify such decision or order.

Order of the Government of India on the appeal on the decision of the Collector of Customs, Bombay.

Read.—An application dated the 24th October 1942, from Messrs Sunderdas Saw Mills, Bombay, for revision of the Order in Appeal No. C. 286|42, dated the 28th May 1942, passed by the Collector of Customs, Bombay.

Read also.—The Collector's report and the records of the case.

ORDER

The articles here in question are Bandsaw steel blades fully manufactured except for the process of toothing. It is explained that the latter process is a comparatively simple one and that there are good reasons why it is preferred to carry this out at the saw mills, where the blades are to be used, rather than at the factory. The blades are supplied by well-known manufacturers of this article and they go to the consumer (i.e. the sawyer) in the condition in which they are imported.

The Government of India consider, therefore, that the articles in question are entitled to be classified as component parts of machinery under Tariff Item No. 72(3).

The goods should be re-assessed and duty adjusted accordingly.

APPENDIX 43

Increase in Import Duty on Raw Cotton

Letter No. 447, dated 16th February 1942, from Chamber to the Commerce Department, Government of India, New Delhi.

I am directed by the Committee of the Indian Merchants' Chamber to address Government in connection with the above Ordinance promulgated on the 29th January 1942, providing for an additional Customs duty on raw cotton imported into any port in British India of anna one per lb.

My Committee recognize the extreme gravity of the situation resulting from slump in cotton prices and the consequent plight of the cotton growers of the country. They are also alive to the imperative necessity of taking such steps as would tend to sustain cotton prices and alleviate the condition of the growers in the present emergency. As a matter of fact, the Indian commercial community in general, and my Committee in particular, have urged more than once on the attention of Government the necessity for taking prompt steps by buying the surplus production of short-staple cotton, so as to arrest the decline in prices of the said orphan cotton much below cost prices to farmers. They are, therefore, one with Government in their anxiety to help the cotton cultivators of the country and would welcome measures to meet the situation.

At the same time, my Committee cannot agree to the manner and method by which Government propose to finance or to meet the cost of operations that may be undertaken in this connection. Under the Ordinance, an additional Customs duty of anna one per lb. on raw cotton imported into British India is sought to be levied. An import duty of

half-an-anna per lb. was first levied in 1931 for revenue purposes, and this rate was increased in 1939 to one anna. On both these occasions, my Committee had expressed themselves very strongly against the levy and also pointed out the adverse repercussions of the step on the cotton textile industry of the country. The importance of the Indian cotton textile industry developing weaving of finer counts has now been fully recognized and was, as a matter of fact, even stressed by the Tariff Board. It is, therefore, extremely unfortunate that Government should have coupled their proposal for relief to the agriculturists with a burden on an essential and staple industry like the cotton textile industry, thus imposing a handicap in its further development. It is pertinent to draw pointed attention to the vicissitudes through which this industry had to pass during the last one decade ; and my Committee cannot protest too strongly against this additional burden on it.

In the opinion of my Committee, the finance for the measures of amelioration Government may have in view could have been well met by other methods. After all, such measures are in the nature of emergency measures, and the funds necessary for the same could have been met from the General Revenues of the country. Moreover, under the existing easy monetary conditions the necessary finance could have been found by borrowing and on account of the low rates prevailing the interest burden would not have pressed heavily on the budgetary position of Government. Alternatively, Government could have found the money also from the Railway Revenues. From reports available, it is evident that the Railway Revenues are expected to show an improvement by about Rs. 15 crores over the budget estimates, which estimates themselves provided for a sufficiently large surplus. In view of this comfortable position, no strain would have been felt if the finances necessary for the proposals connected with the relief to cotton growers had been found from the Railway surplus, some of which has been collected from cotton itself.

While, therefore, realising the need for immediate steps to afford relief to the cotton growers in the present emergency,

my Committee are constrained to protest against the imposition of a burden on the cotton textile industry of the country in the shape of an additional import duty on raw cotton and have to emphasize that the relief should be provided from General Revenues.

APPENDIX 44

Goods Brought from Burma to India during the Emergency

Letter No. 2004, *dated 24th April* 1942, *from Chamber to the Department of Indians Overseas, Government of India, New Delhi*

I am directed by the Committee of the Indian Merchants' Chamber to address you in connection with certain difficulties said to have been experienced by persons bringing goods from Burma to India in consequence of the recent developments connected with the war situation.

Reports have reached my Committee that in the case of evacuees and persons returning from Burma under the present abnormal conditions, the Customs authorities have generally resorted to a strict enforcement of the provisions of the Sea Customs Act in the matter of levying duties, etc. and that even personal effects or utensils brought by such evacuees have come to be examined and assessed to duty. My Committee, therefore, beg to request that the Central Government will issue appropriate instructions to the different Customs authorities with a view to greater indulgence being shown to persons returning to India from countries overrun, particularly from Burma.

There will also be cases of Indian merchants or their agents doing business in Burma, who in the early stages of the Japanese attack of that country might have shipped to India some of their stocks so as to forestall chances of the same being permanently lost or falling into the hands of the enemy. It would appear that, as a matter of fact, in certain cases merchants watchful of the developments and anticipating trouble had taken this measure of precaution; but in the extreme haste of the moment, they might have

neglected to observe certain Customs regulations. Goods of Indian origin when they are imported back in the above fashion would ordinarily be entitled to an abatement of duty if it could be proved that they were being imported within three years from the date of their first exportation. It will be obvious to Government that in the confusion of the moment when shipments back to India were arranged, the merchant or the agent in Rangoon could not necessarily have been meticulous about such details or procedure. His only anxiety would have been to save as much of the goods as possible from the impending calamity. In regard to such cases, it is necessary to arrange that the departmental outlook is not too rigid in enforcing the strict letter of the rule and that in all cases where there was evidence to the fact that the goods sent back to India originally went out from this country to Burma, necessary relief by way of abatement of duty should be allowed and instructions to that effect issued to the Customs Officers concerned.

A typical instance of the hardship caused by a too rigid enforcement of the provisions of the Sea Customs Act has been brought to the notice of my Committee. The Zandu Pharmaceutical Works, Ltd., Bombay, were doing business in Rangoon through their Agent, Mr. P. V. Modi, the Capital Stores, 273, Fraser Street, Rangoon, since many years and Ayurvedic and Allopathic preparations were being sold in that country. When the war clouds gathered over Burma, the said Agent arranged to pack all their stocks in Rangoon and send them to India by s.s. "Jalabala". It was, however, not possible for him in the hurry of the moment to give attention to the work of making out an inventory of the goods sent or preparing the necessary invoices thereof. The goods arrived in India in due course and the Zandu Pharmaceutical Works, Ltd., approached the Customs authorities for being allowed to clear them free of duty. Their attention was, however, drawn to the provision in Section 25 of the Sea Customs Act and they were informed that if they were not in a position to prove that the re-importatation had taken place within three years of the first exportation, the consignments in question would be allowed to be cleared only after payment of duty. It will be realized that such a strict

enforcement of the provisions of the Act would amount to a great hardship in the peculiar circumstances of the case. It is, therefore, necessary to arrange that in all such cases where Indian goods are re-imported back to the country, no duty should be levied. In fact, under Section 23, Government have power to exempt from the payment of duty, under circumstances of an exceptional nature and cases of this nature are fit cases where the power may well be utilized.

My Committee request that Government will be pleased to give this matter their favourable consideration.

Letter No. D.A.Dis No. 411-Cus.War|42, dated 11th May 1942, from the Central Board of Revenue, Government of India, to Chamber.

With reference to your letter No. 2004, dated the 24th April 1942, addressed to the Department of Indians Overseas, I am directed to say that necessary instructions have already been issued to the Collectors of Customs regarding the exemption from Customs duty of personal effects of evacuees.

2. As regards trade goods brought by refugees, the Government of India are prepared to consider applications for relief provided full information is furnished by the firm as to the nature and value of the goods, the duty leviable thereon, the port at which the goods were imported and the date of importation.

APPENDIX 45

Changes in Tariff Valuation

Letter No. 8498-C.I.C., dated 12th August 1942, from the Director, Commercial Intelligence and Statistics, to Chamber.

Imports of certain articles which have so long been mainly or solely imported from the Far East and also of certain other commodities have almost stopped owing to the present war situation and the possibility of future importation of those articles is now remote. I enclose a list of these commodities* which, it has been proposed, should be deleted

* Not printed.

from the list of existing tariff-valued heads. The proposals are for consideration at the time of the next annual revision of tariff values. I shall therefore be obliged if your Chamber will kindly examine them and furnish me with their views by the 7th September next.

Letter No. 3200, dated 11th September 1942, from Chamber to the Director-General of Commercial Intelligence and Statistics, Calcutta.

The Committee of this Chamber have considered your letter No. 8498-C. I. C., dated 13th August 1942, with regard to the above question. My Committee regret that they cannot agree with you that particular commodities should be deleted from the list of existing tariff valued heads just because their imports have stopped owing to the present war situation and the possibility of future imports is remote. Nothing is lost in keeping these items in the tariff list. In fact, my Committee are afraid that if these items are deleted altogether, a time may come, when even if the present emergency conditions cease and even if their imports become a possibility, it may be difficult afterwards to prepare and continue the tariff classification list which was in vogue upto now and with which the business community has been familiar since the last so many years. My Committee, therefore, under the circumstances, cannot agree with the proposal to delete these items, and hope that they will be continued on the tariff list.

Letter No. 8947-C.I.C., dated 27th August 1942, from the Department of Commercial Intelligence and Statistics, Calcutta, to Chamber.

It is understood that "Chupchap" dates fetch a lower price in the market than some of the dates listed together in the tariff valued head "Dates, dry—Kapkapa, Shekra or Shakeria, Chharra, Chupchap, Sakina and Brami" in the Indian Customs Tariff. It is, therefore, proposed to take out "Chupchap" dates from this head and assign a separate tariff value to this and several other dates of similar quality by changing the existing classification of dry dates in the following manner :—

"Dates, dry, excluding seedless—Shekra or Shakeria, and Brami . . . . .
Kapkapa, Chharra, Chupchap, Sarki, Sori, Omani and Bhatni . . .
All other qualities . . . . . "

The proposal is for consideration at the time of the next annual revision of tariff values. I shall therefore be glad if your Chamber will kindly examine it and furnish me with their views by the 21st September next.

Letter No. 3309, *dated* 23*rd September* 1942, *from Chamber to the Department of Commercial Intelligence and Statistics, Calcutta.*

I am directed to acknowledge receipt of your letter No. 8947-C.I.C. dated the 27th August 1942, on the above subject and to say that my Committee approve of the suggestion contained therein.

APPENDIX 46

Income-tax Central Administration, Registration of Firms, etc.

Letter No. 634, *dated* 28*th February* 1942, *from Chamber to the Central Board of Revenue, Government of India, New Delhi.*

The Indian Chamber of Commerce, Calcutta, has forwarded to my Committee a copy of the proceedings of the joint meeting of the representatives of Indian Chambers there with you and subsequent correspondence bearing on the question of difficulties experienced by the Indian mercantile community under some of the provisions of Income-tax Act and the administration thereof. The Committee of my Chamber are in general agreement with the suggestions and proposals made in the course of the said discussion and representations, and in particular they take this opportunity of reiterating their views on the following points :

1. **Central Department.**—It may be recalled that in the interview which my Committee had with you on 12th July 1939, they had stressed that the Special Commissioners appointed under Section 5(2) of the Act, viz. what has come

to be known as the Central Department should not interefere in the territorial jurisdiction of the existing Commissioners and that such Central Commissioners should deal only with special classes of cases as were mentioned by the then Finance Member at the time of the discussion of the Income-tax Amending Bill in the Central Legislative Assembly. During the course of your reply, you also assured my Committee that "only important and special cases were being entrusted to the Special Commissioners and there was no intention to defeat the spirit of the undertaking given in the Central Assembly".

My Committee had also occasion to write to the Central Board in this regard on 17th April 1939, *vide* their letter No. 980, in which they suggested that the assurances given in the Legislature regarding allocation of work should be strictly adhered to, and that the departmental instructions in dealing with the scope and functions of the Special Commissioners should give sufficient attention to this aspect. In view of this, it cannot be claimed, as you are reported to have done at the interview with the Calcutta Chambers, that Bombay had no complaints against the Central Department.

2. **Refusal to renew registration of a firm or cancellation of its registration.**—My Committee would like to recall the discussion on this point at the interview which they had with you on 22nd July 1941, and the subsequent correspondence ending with your letter D.O. No. 29(103) I.T.|41, of 4th February 1942. The complaint in regard to the difficulties experienced by the refusal or cancellation of registration and the hardship on account of the absence of provision for an appeal against cancellation of registration under Section 23(4) had all been dealt with by my Committee in the said correspondence. The subsequent instructions issued by a departmental circular do not meet the requirements of the situation, and my Committee hope that early opportunity will be taken by Government to remove these grievances.

3. **Registration of firms and dissolution of Hindu Joint Families.**—Here also, my Committee would like to refer to the correspondence that they had with the Central Board, ending with your letter No. 29(116) I.T.|41 dated 28th August

1941, during the course of which they had emphasized that where dissolution of joint Hindu families had been accepted in the past and partnerships of persons concerned registered, registration should not be refused in a subsequent year.

My Committee are also in agreement with the views expressed by the Calcutta Chambers in regard to the practice of calling upon the assessees to submit wealth statements ; the need for strict instructions regarding audited accounts being accepted without any hesitation, and the various other relief and reforms suggested in administrative sphere.

4. **Separation of judicial and executive functions.**—My Committee are further in agreement with the suggestion made in the supplementary representation dated 13th January 1942, bearing upon the question of separation of judicial and executive functions in Income-tax administration. It is a salutary principle that the executives who are concerned with deciding matters of facts or law should not themselves sit in judgment when any points of difference in regard to such decisions are brought up for appellate consideration. It is hoped that Government will examine the suggestion made by the Calcutta Chambers in this regard to bring about such changes in the procedure and in the machinery regarding Income-tax appeals as would inspire confidence in the general public.

My Committee again request that, as of late there has been a growing feeling of dissatisfaction with the administration of the Income-tax law in this country, the matters referred to herein should receive early and sympathetic consideration.

APPENDIX 47

Supply of Incomplete Forms by the Income-Tax Office

Telegram dated 12th December 1942, from Chamber to the Central Board of Revenue, Government of Bombay.

Attention Committee Indian Merchants Chamber drawn to the rejection by the Income-tax Tribunal of an application for renewal of registration on preliminary objection that the

form used was incomplete or wrong. It appears that the said form was supplied by the Income-tax Office but certain changes made by subsequent amendments had not been incorporated therein. It is not fair that assessees should be called upon to suffer on account of this departmental omission. The proper course would be for the Tribunal to allow the defect to be cured by correcting the form as is being done by High Courts. As there are reported to be other similar pending cases in which such incomplete forms have been inadvertently used, Committee request that immediate instructions be issued to allow assessees to correct these mistakes in the application or to require Income-tax Officers of their own accord to correct the same as being mistakes apparent in the records.

Telegram dated 11th February 1942, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

Reference telegram twelfth December regarding supply of incomplete forms by Income-tax Office request expedite Board's decision and orders on the point as otherwise interests of many assessees will be prejudicially affected. Matter urgent and early action necessary.

Letter No. 29(160)-I.T.|41, dated 11th February 1942, from the Central Board of Revenue, Government of India, to Chamber.

In continuation of my letter C. No. 29(160) I.T.|41, dated the 12th January 1942, I am directed to inform you that instructions have been issued to the Commissioners concerned that suitable steps should be taken to ensure that correct forms are supplied to assessees. They have also been instructed that in cases where applications for registration of firms have been made on wrong forms supplied by the Department, assessees should be permitted to rectify any mistakes before orders are passed by the Income-tax Officer.

Letter No. 620, dated 27th February 1942, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

I am directed to acknowledge receipt of your D.Dis. No. 29(160)-I.T.|41 of the 11th instant, and to thank you for the same.

In this connection, I am, however, to point out that in my telegram to you on the subject dated 12th December last, it was mentioned that appeals in connection with applications for renewal of registration before the Income-tax Tribunal were rejected on the preliminary objection that the forms used were incomplete or wrong. My Committee would like to know what action Government propose to take in respect of such cases, i.e, whether they will be allowed to submit fresh applications and any technical difficulties in the way of such submission will be waived.

The point also arises in respect of applications made in incomplete forms still pending for consideration by the Tribunal. In fairness, parties concerned should either be allowed to rectify the mistakes or Government themselves should represent to the Tribunal to overlook the defects and allow the appeals being considered as if the forms used were in order.

My Committee hope that Government will be pleased to consider this matter and take such steps as would remove the hardship in the case of (1) appeals already rejected, and (2) appeals pending before the Tribunal.

Letter No. D.Dis. No. 29(160)-*I.T.*|41, *dated* 18*th April* 1942, *from the Central Board of Revenue, Government of India, New Delhi, to Chamber.*

In reply to your letter No. 620, dated the 27th February 1942, I am directed to inform you that in so far as cases pending in appeal before the Income-tax Appellate Tribunal are concerned, instructions have already been issued to the Department that no objection should be taken regarding defects in the forms supplied to assessees.

2. As regards cases already decided by the Tribunal, I am to add that under the Indian Income-tax Act, 1922, as it stands it is not possible to re-open cases which have been the subject of an appeal to the Tribunal.

APPENDIX 48

Suspension of Collection of Income-tax from Assessees in Burma

Telegram dated 18th February 1942, from Chamber to the Member for Overseas, Government of India, New Delhi.

As Government are aware due to disorganised conditions in Rangoon and other places in Burma many Indian merchants and nationals have left that country or are not able to attend to their business. Principals here are not able to get into touch with agents there. Agricultural operations rendered difficult and owing to breakdown of transport, closure of export markets, etc. paddy sales made impossible. In the circumstances it is very necessary that the Government of Burma should be persuaded to suspend collection of income-tax and land tax as in the absence of parties concerned their agents, auditors or lawyers the Indian interests in connection with such tax collection proceedings cannot be effectively represented. Moreover if assessments are proceeded with the appeal period may lapse before normal conditions are restored. Committee, Indian Merchants' Chamber request timely intercession of the Government of India to hold such assessment proceedings in abeyance till normal times.

APPENDIX 49

Income-tax Assessment of Life Assurance Business

Letter No. 1019, dated 7th April 1942, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

I am directed by my Committee to address Government on the question of the provisions of the Indian Income-tax Act relating to assessment of the business of Life Insurance.

My Committee do not wish at this stage to recall the history of the controversy connected with the question. They will only mention in passing that when the Committee of Experts were enquiring into the changes necessary in the Income-tax law of the country, very strong views were placed

before them in regard to the manner and method of assessing the profits and gains of the business of Insurance. Unfortunately, the Experts Committee did not recommend any changes in the then existing procedure. At the time of the Income-tax Amending Bill following the Experts Committee enquiry, however, in response to further public representations, Government introduced certain modifications in the provisions of the law, and although the said modifications did not go far enough, Indian commercial interests, particularly interests connected with the business of Life Insurance felt that they should await the experience of the working of the new scheme before further approaching Government in the matter. The experience, however, has proved that the existing provisions are far from satisfactory, and that the time has come when the whole matter should be re-examined with a view to necessary re-adjustments in the said provisions.

The Rules made in accordance with Section 10(7) of the Act provide that the profits and gains from the business of Life Insurance shall be computed on the basis of

(a) the gross external incomings of the preceding year from that business less the management expenses of that year, i.e. what has come to be known as 'interest-less-expenses'; or

(b) the annual average actuarial surplus less 50 per cent of the amount of such surplus paid to or reserved for the policyholders.

As a matter of fact, the interest-less-expense basis had all along been suggested by commercial interests. Unfortunately, however, certain provisoes have been added to this formula, under which the percentage of expense to be allowed are specifically prescribed under the rules. Expenses over the limit prescribed thus, are not allowed, although they may have been incurred for the purpose of earning the incomes or may actually be incidental to the conduct of the business in question. If such artificial limits had not been fixed, the basis, my Committee feel, would have worked satisfactorily. The time has now come for reconsidering the provisoes prescribing the percentage of income to be allowed by way of expenditure for purposes of computations under the rules. In the opinion

of my Committee, all expenses which are actually incurred or which are incidental to the business should be allowed. After all, those in charge of the management of the Insurance business may be expected to exercise necessary check and to incur only such expenditure as would be deemed necessary in the interests of the business of the company.

The alternative provision of basing the assessment on the actuarial surplus is open to the serious objection that the arrangement assumes that the whole of the surplus is the profit of the business. In the business of Life Insurance the so-called profits or surplus disclosed as a result of the actuarial valuation are not profits in the sense of the term as applied to ordinary trading concerns ; but such profits include surplus premium collected from the policyholders necessitated by actuarial considerations ; such surpluses are subsequently returned to the policyholders in the shape of bonuses. It is very unfair that that portion of the premium reserved by a company to be returned to the policyholders as bonus should be subjected to taxation as the same can in no sense be termed as profits accruing to Insurance companies. The factors which go up in determining the actuarial surpluses of a company have by now been fully placed before Government. It is, therefore, reasonable to suggest that if the alternative of assessment on the basis of actuarial surplus is to be fair, provision should be made that that portion of the surplus which belongs to or is reserved for, the policyholders should be entirely excluded from the assessable profits. The prevailing practice in connection with the assessment of income-tax of life assurance business in the United Kingdom would go to support our submissions.

On account of the present war situation, Life Insurance companies are experiencing difficulties in various directions particularly in the matter of diminution of their ordinary income, because of the difficulty experienced in acquiring new business and because of the reduction in the yield from investments. It is, therefore, necessary that some relief in the matter of taxation should be allowed to compensate for these handicaps. My Committee submit that the recent surcharges on income-tax levied since the last two years, as in

the nature of a war levy, should not apply to insurance companies, and that, at least, from the current financial year the insurance companies should be exempted from the said surcharges.

To summarise, my Committee would request Government

(i) to do away with the artificial limit prescribed for expenses in cases where the interest-less-expenditure method is applied ;

(ii) to exempt from assessment the surpluses belonging to or reserved for policyholders ; and

(iii) to exempt life insurance business from income-tax surcharges.

My Committee request that Government will be pleased to give this matter their early and favourable consideration.

Letter No. 51(46)-I.T.|42, dated 2nd June 1942, from the Central Board of Revenue, Government of India, New Delhi, to Chamber.

With reference to your letter No. 1019, dated the 7th April 1942, I am directed to state that the Board is unable to accept any of the recommendations made therein.

APPENDIX 50

Indian Insurance Act—Section 27, Investment of Life Assurance Funds

Letter No. 976, dated 1st April 1942, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

I am directed by my Committee to address Government once again in connection with the necessity for amending Section 27 of the Indian Insurance Act, 1938, with a view to allow greater freedom to insurers in the matter of the distribution of their life assurance investments. Last year, they had by their letter No. 1564 dated the 7th July pointed out the difficulties experienced by insurance companies by the restrictions imposed by the provision in the Act. Since then, the need for the reform suggested therein has been

emphasized by the developments connected with the war and their effect on insurance companies and their investments. It is, therefore, of the extreme importance that Government should take up this matter in hand without any further loss of time and modify the requirement under discussion and reduce the limit in a manner which, while safeguarding the interests of the policyholders, would give greater freedom to insurers to select their investments.

Section 27 of the Act lays down that every insurer, incorporated or domiciled in British India, shall invest and keep invested 55 per cent of the policy liabilities less the amount of any statutory deposit and the amount of loans granted on policies of life insurance in what may be termed "gilt-edged" securities; out of the said 55 per cent, 25 per cent shall be in Government Securities and the remaining 30 per cent in Government Securities or other approved securities of the Government of the United Kingdom. In the business of life insurance interest yield is a factor of vital importance. The actuarial and valuation results are based on a reasonable rate of interest and any diminution in the yield assumed or anticipated is likely to upset considerably the whole business. Return on investments on Government securities has, in recent years, taken a downward trend and particularly after the war insurance companies are experiencing considerable difficulties in keeping up to their expectations in the matter of their revenue on investments.

Apart from the question of the yield, there is also the question of the effect by depreciation of investments. It is a matter of common knowledge that lately due to war conditions the prices of Government Papers and other securities which are aligned to them have declined with the result that insurers are obliged to make sufficient provision in their calculation for covering up the said depreciation.

The restriction in question also affects the competitive capacity of Indian insurers, *vis-à-vis*, insurance companies registered either in the U.K. or any foreign territories and doing business in British India. My Committee are aware

that the Section under discussion provides corresponding restriction on such foreign companies also in the matter of investing their life assurance obligations so far as their Indian policyholders are concerned. If the business returns of non-Indian companies and the bonus declared by them in India were dependent on their profit earned in India alone, then it may be said that the restriction operates uniformly against both Indian and non-Indian companies. In actual practice, however, as non-Indian companies, particularly British companies, are not fettered by any hard and fast requirements by the laws of their country in so far as their business, other than Indian business is concerned, they enjoy greater freedom in the matter of their investments with the result that they are in a position to extend to their Indian policyholders a part of the advantage of the higher interest yield on their investments in their own home-country.

Another important point in justification of the relaxation of the restriction is that the present position prevents the utilization of the surplus resources of Indian insurance companies in suitable industrial investments with the result that the capital which may be employed in productive undertakings has more or less to be kept dormant. The need for greater industrialization of the country has by now been recognized and it should be a matter of policy to allow the capital resources available with insurance companies being invested in such industrial undertakings. By such investments insurance companies, besides helping themselves to a better rate of return, would, in the long run also be discharging a national duty of great importance.

My Committee again urge that the Government of India will be good enough to examine this question at an early date and to bring about the necessary changes in the provision of the Act.

APPENDIX 51

Relating Back Life Insurance Premium to the year of Accounting

Letter No. 3132, *dated 29th August* 1942, *from Chamber to the Central Board of Revenue, Government of India, New Delhi.*

It appears that under the existing provisions of the Income-tax Act before the amount paid as Life Insurance premium is allowed as a deduction it must be paid in the accounting year. Where two such premiums are paid in one year, only one year's premium, it appears, is allowed if it is not beyond 1/6th of the total income. On occasions when two years' premiums came to be paid within one financial year, the above arrangement will deprive the assessees concerned of the full benefit of the exemption.

It has been pointed out to my Committee that in England under similar circumstances, the following concession is allowed to the tax-payer :

> "Where the life insurance premiums are due for payment within the last few days of the income-tax year there is an Inland Revenue concession under which, provided that the premiums are paid within the number of days of grace allowed by insurance company, they are to be treated as having been paid on their due date."
>
> "Further, where, owing to the date of payment being near 5th April two premiums are paid in one year and none in the next year or *vice versa*, the Revenue customarily allows them to be treated as having been paid on their respective appropriate years."

My Committee suggest that here also the facility of relating back insurance premia to the proper years of accounting should be introduced, so that the assessees may be enabled to take full advantage of the exemption granted under the Act.

Letter No. C. No. 27(71)-*I.T.*|42, *dated* 12*th November* 1942, *from the Central Board of Revenue, Government of India, New Delhi, to Chamber.*

With reference to your letter No. 3132, dated the 29th August 1942, I am directed to state that it is not correct to

say that where two years' premia are paid in one year only one year's premium will, under the existing provisions of the Income-tax Act, be allowed in the assessment since Section 15 of the Act permits of rebate being granted in respect of any sums paid to effect an insurance provided the limit of one-sixth of the total income or Rs. 6,000 whichever is less, is not exceeded. In any case, no hardship can arise with regard to salary cases since in these cases disbursing officers have been authorised to allow rebate up to the maximum admissible without requiring the production of premium receipts. Hardship is likely to arise only in those cases where two years' premia paid in any year exceed the limit laid down in Section 15. Such cases, however, are likely to be few and the assessee can always arrange his affairs in such a manner as to pay only one year's premium in a year and to obtain the full rebate thereon. In these circumstances the Board does not consider it necessary to amend the Act on the lines suggested by you.

APPENDIX 52

Unabsorbed Depreciation Fund

Letter No. 2154, *dated* 11*th May* 1942, *from Chamber to the Central Board of Revenue, Government of India, New Delhi.*

I am directed by the Committee of my Chamber to address the Board on the question of the position of assets on which depreciation had accumulated and which was subsequently sold. Under Section 10 of the Act, depreciation which could not be set off against profits, either because of insufficiency of profits or because of loss, unabsorbed depreciation is allowed to be carried forward. Again, under the Amendment Act of 1939, unabsorbed depreciation instead of being allowed wholly against the subsequent year's profits, as was the practice under the old Act, is to be funded and a portion thereof is to be allowed each year until exhausted, so that the assessee instead of getting the unabsorbed depreciation in one payment, gets the same spread over several years. Under this arrangement, depreciation which was due and which under the law an

assessee had a right to carry forward was never lost if the asset on which it had accumulated, was sold.

My Committee, however, understand that in the case of any particular asset on which the depreciation had accumulated and which is subsequently sold, the Income-tax Department is taking the view that the unabsorbed depreciation cannot any further be allowed for the reason that the asset on which the same had accumulated is no more in existence for use in the business. Depreciation is an allowance on the asset of which the assessee is the owner and the allowance is in regard to the use made of the asset in question. The capitalized part of the depreciation by itself does not represent the asset and as such, it is not fair to contend that when the asset is sold or ceases to exist, funded depreciation would also cease to be due.

If the viewpoint of the Department is allowed to stand, the right of the assessee to capitalize the unabsorbed depreciation will be taken away. Moreover, such an interpretation would penalise the assessee as in case of loss by sale, the loss would be augmented by the amount of the disallowed portion.

The case may be illustrated by a hypothetical example. Suppose on asset "A" valued at Rs. 1,00,000 the depreciation accumulated for last 3 years before 1940-41 was Rs. 30,000 in 1941-42 the asset is sold at Rs. 30,000. The loss, therefore, of Rs. 70,000 is reduced by a further sum of Rs. 30,000 being depreciation allowed to the assessee in the previous years. Thus the loss of Rs. 70,000 is reduced by Rs. 30,000 on one hand and on the other when it is sought to claim Rs. 30,000 as unabsorbed depreciation against future profits, the assessee is told that he cannot get it because depreciation can be on the asset that exists and not on that which is sold. This interpretation, it seems, is obviously unfair.

My Committee request that the Central Board will be pleased to consider the above point and issue instructions so that unabsorbed depreciation which was capitalized would continue to be allowed even after the asset in question is sold.

Letter No. 27(12)-I.T.|42, dated 13th May 1942, from the Central Board of Revenue, Government of India, New Delhi, to Chamber.

I am directed to give below the gist of the instructions which have been issued from time to time to departmental officers on the subject noted above :—

The new definition of the term "written-down value" as introduced by the recent amendment of Section 10(5) of the Act has come into operation from 1st April 1942. According to this definition the written-down value of the assets acquired before the "previous year" has to be computed by deducting from the actual original cost of such assets all depreciation *actually allowed* to the assessee concerned. The word "allowed" in its strict literal interpretation—and having reference to the word "allowances" in sub-section (2) of Section 10—would mean the depreciation allowance considered in any particular assessment irrespective of whether effect was given thereto in that assessment or not.

The second proviso to Section 10(5) having, however, been altogether omitted, the unabsorbed depreciation prior to 1939-40 can no longer be capitalized and by virtue of Clause (b) of the proviso to Section 10(2)(vi) such unabsorbed depreciation cannot either be carried forward. To obviate the hardship arising in such cases it has been decided that the unabsorbed depreciation at the end of the 1938-39 assessment (which had not been wiped off by profits assessable for 1939-40) should not be taken into account in arriving at the amount of the depreciation "actually allowed" within the meaning of the new Clause (b) of Section 10(5). So far as the assessments for 1939-40 onwards are concerned the words "actually allowed" must, however, be interpreted in their strict literal sense as stated above, as the unabsorbed depreciation from 1939-40 onwards can be carried forward indefinitely until absorbed.

Where the unabsorbed depreciation at the end of the 1938-39 assessment relates to more than one class of assets to which different rates of depreciation were applicable the allocation of the net balance of unabsorbed depreciation remaining at the end of the 1938-39 assessment should be

made proportionately on the basis of the quantum of depreciation allowance calculated on each class of asset upto and including the assessment for 1938-39. For this purpose it must be assumed that the profits made in any year have been applied first to reduce or wipe off the unabsorbed depreciation brought forward from an earlier year before they are applied against the depreciation allowance of the year of such profits. The result will be that the unabsorbed depreciation remaining at the end of 1938-39 assessment will be treated first as the allowance or part of the allowance for 1938-39, the balance remaining being treated as the allowance or part of the allowance for 1937-38 and so on, backwards. If the unabsorbed depreciation at the end of 1938-39 assessment is equal to or less than the depreciation allowance for 1938-39, then it should be assumed that the entire unabsorbed balance represents the allowance or a part of the allowance for 1938-39, as the case may be.

If any part of the unabsorbed depreciation remaining at the end of 1938-39 assessment has been wiped off by the profits assessed for 1939-40, the part thus wiped off must be left out for the purpose of arriving at the net unabsorbed balance to be allocated among the various assets.

As regards non-existent assets in respect of which there was unabsorbed depreciation at the end of the 1938-39 assessment (not wiped off by profits assessable for 1939-40), it has been decided that if any asset of the particular class (e.g. motor car) to which the non-existent asset belonged is in existence, the unabsorbed depreciation relating to the non-existent asset in respect of years prior to 1939-40 should be included in the written-down value of any asset of that class which is in existence. If, on the other hand, no asset of that particular class is in existence, the unabsorbed depreciation in respect of the non-existence asset for years prior to 1939-40 should be spread over the remaining assets proportionately with a view to such unabsorbed depreciation being adjusted against future assessments at the various rates of depreciation applicable to the remaining assets.

If any assessee seeks to depart from the method described above, on the ground that it would be unfair to spread the

unabsorbed depreciation on a discarded item over all the various classes of depreciation carrying assets, the case should be submitted to the Board for instructions.

Letter No. 2419, dated 15th June 1942, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

I am directed to acknowledge the receipt of your letter No. 27(12)-I.T./42, dated 13th May 1942, on the above subject, contents of which have been noted by my Committee.

I am, however, to point out that the proposal in the penultimate paragraph thereof, relating to the treatment of unabsorbed depreciation of any non-existent asset in respect of years prior to 1939-40, would not meet the requirements of the case so far as shipping assets are concerned. Depreciation on shipping assets continues to be allowed on the prime cost basis, and the unabsorbed quantum of depreciation in respect of any non-existent shipping assets could not be dealt with on the basis prescribed in the circular. Depreciation on ships would be calculated on a fixed percentage of the prime cost, and it has been represented to my Committee that as the law stands at present the figure of the prime cost could not be adjusted with reference to the unabsorbed portion of the depreciation relating to any non-existent asset in the manner contemplated under the circular.

My Committee have, therefore, to request the Board to re-examine the provision in its application to shipping assets and to prescribe, in order to obviate the difficulty pointed out above, that in the case of any non-existent shipping asset the unabsorbed depreciation should be allowed from the profits of the subsequent year.

Letter No. R.Dis. No. 27 (12)-I.T.|42, dated 21st October 1942, from the Central Board of Revenue, Government of India, New Delhi, to Chamber.

With reference to your letter No. 2419, dated the 18th June 1942, I am directed to say that necessary instructions are being issued in the matter.

APPENDIX 53

Liability of Liquidators and Executors

Letter No. 2157, dated 11th May 1942, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

I am directed by the Committee of my Chamber to address the Board in connection with the provisions of the Income-tax in the matter of the liability of a liquidator and of an executor in regard to payment of tax due from estates coming under their management. The liquidator of a company is personally responsible for the payment of the arrears of the tax due by the company. The same is the position in regard to the executor of an estate. With the amendment of the Income-tax Act, the right to re-open an assessment for escaped income, in normal cases, extends to 4 years and in the case of concealment to 8 years. Thus, the liability of a liquidator who distributes the assets of the company and of an executor who distributes the assets of an estate under his management amongst the beneficiaries is enlarged and extended and although a liquidator or executor, after having exercised due diligence, might have paid the tax which appeared to be due at the time before distributing the assets, they are likely to be called upon at a subsequent date, perhaps years after, to shoulder the liability in regard to any alleged escapement. Having already distributed the balance in hand, those discharging the functions of liquidators and executors will, if the personal liability is to be enforced, be put to great hardship.

It has been pointed out to my Committee that recently this matter was taken up by the Accountancy and Legal Profession in the United Kingdom with the Board of Inland Revenue there. Upon a decision of the Court of Sessions in the case of Inland Revenue *vs.* Trustees of Charles Mackinlay, a representation was made to the authorities by the Profession for a suitable amendment of the English Act so as to release liquidator from such liability under the Act. The Controller of Inland Revenue in reply, pointed out that an

amendment of the Act would mean some delay and in the meantime, he gave an assurance in the following terms :—

> "I have referred your letter of the 28th June last to the Commissioners of Inland Revenue, who authorize me to say that they are advised that trustees and others acting in a fiduciary capacity, who after diligent enquiry and making, if necessary, a full disclosure of the affairs under their charge, pay *inter alia* the Inland Revenue claims based thereupon after allowing a reasonable time to elapse to enable any other claims against the estate to be lodged and paid and thereafter dividing the estate, are by law absolved from further personal liability in respect of subsequent claims by the Inland Revenue against the estate. In these circumstances, no further legislation on the matter would seem to be necessary."

My Committee suggest that the Central Board of Revenue may well consider the desirability of issuing similar instructions here, so that trustees and others acting in a fiduciary capacity who had paid tax claims after making a proper disclosure of the affairs under their charge would be deemed absolved from further personal liability.

Letter No. R.Dis. No. 26(7)-I.T.|42, dated 14th August 1942, from the Central Board of Revenue, New Delhi, to Chamber.

In reply to your letter No. 2151, dated the 11th May 1942, on the subject noted above, I am directed to say that the Board has decided that trustees and others acting in a fiduciary capacity, who after diligent inquiry and making, if necessary, a full disclosure of the affairs under their charge, pay, *inter alia*, the income-tax claims based thereupon after allowing a reasonable time to elapse to enable any other claims against the estate to be lodged and paid, and thereafter dividing the estate, would, under the Indian Income-tax Act, 1922, be absolved from any further personal liability in respect of subsequent claims arising under the Act against the estate.

APPENDIX 54

Withholding of Assessment Records

Letter No. 3131, *dated 29th August* 1942, *from Chamber to the Central Board of Revenue, New Delhi.*

My Committee have received complaints that the Income-tax Officers, Central Section, are withholding the assessment records and do not forward the same to the Appellate Assistant Commissioner on the submission of an Appeal petition to him, on the ground that penalty proceedings are pending against the assessee concerned under Section 28 of the Act.

Under the provisions of the Income-tax Act, at the discretion of the Income-tax Officer, the tax in dispute is not collected from the taxpayer pending the disposal of any appeal before the Appellate Assistant Commissioner. This postponement of the recovery of tax is in consonance with the assurances given in this behalf in the past by the Central Board of Revenue to the commercial community. It is, however, pointed out to my Committee that lately, the Central Section is recovering tax in respect of assessments about which there is a dispute, and the assessment records are also not forwarded to the Appellate Assistant Commissioner and withheld for months together.

The penalty proceedings cannot be completed unless and until in each case the assessment records are forwarded to the Central Board and the quantum determined there. It need not be pointed out that penalty proceedings and assessments are separate proceedings, and an appeal is provided for under Section 30 against the amount of tax levied, as well as the amount of penalty under Section 28. Moreover, penalty proceedings can be started only if the Appellate Assistant Commissioner confirms the action of the Income-tax Officer; if the order of the Income-tax Officer is set aside or modified, the penalty proceedings will also have to be cancelled or modified.

Withholding of papers by the Income-tax Officer, Central Section, on the ground of penalty proceedings, therefore

creates a great hardship to assessees concerned. My Committee request that, the Board will be pleased to issue instructions in the matter, so that Income-tax Officers will be required to send up the papers to the Appellate Assistant Commissioner, immediately an appeal is filed, without waiting for the completion of the penalty proceedings. The amount of tax in dispute should also not be recovered till the appeal is finally disposed of.

Letter No. D.A. Dis. No. 50-Gl. (25)-I.T.|42, dated 3rd October 1942, from the Central Board of Revenue to Chamber.

With reference to your letter No. 3131, dated the 29th|31st August, 1942, I am directed to state that the Board is of the opinion that Appellate Assistant Commissioners should, as far as possible, hear appeals against the assessment and appeals against the order levying a penalty under Section 28 simultaneously. In order however, that appeals against assessment may not be unnecessarily delayed, instructions have already been issued that the Income-tax Officers should endeavour to complete the penalty proceedings as early as possible. In important cases involving difficult points of law or large amounts of tax, or where the completion of the penalty proceedings is for some reason likely to be delayed, Commissioners have been authorised, on the assessee's request, to direct the Income-tax Officer to postpone the penalty proceedings pending disposal of the appeal against the assessment. These instructions should remove the hardship referred to in your letter under reply.

2. I am to add that instructions already exist to the effect that when the Income-tax Officer considers that an appeal is *bona fide*, he should in exercise of his discretion under Section 45, postpone the collection of the disputed portion of the tax requiring the assessee to pay only that portion of the tax which is not in dispute. The Board has no reason to doubt that reasonable requests in this respect will not be complied with by the Income-tax Officer, and suggests that any specific cases where requests from assessees for such postponement have not been agreed to may be brought to the notice of the Commissioner.

APPENDIX 55

Double Income-tax Relief and U. K. Income-tax

Letter No. 2152, *dated* 11*th May* 1942, *from Chamber to the Central Board of Revenue, New Delhi*

In computing double income-tax relief with the United Kingdom on a dividend income, the practice in India is to gross such income by income-tax alone, whereas the practice in the United Kingdom is that the same Indian dividend income is grossed by adding to the net dividend not only the income-tax but also the super-tax paid by the company.

In India, income-tax is subject to adjustment in the hands of the shareholders ; but the same is not the case with super-tax or corporation tax paid by the company. The latter tax is specifically levied on companies, for the benefits of limited liability, etc.

My Committee feel that in the United Kingdom also, the same practice as obtained in India should be followed, i.e. dividend income should be grossed up by the amount of income-tax alone. Such an arrangement besides making the practice uniform in both countries will be more logical.

It is hoped that the suggestion will be accepted by the Board and the necessary representations made to the United Kingdom Inland Board of Revenue Authorities.

Letter No. C. No. 25(16)-*I.T.*|42, *dated* 20*th June* 1942, *from the Central Board of Revenue to Chamber.*

With reference to your letter No. 2152 dated the 11th May 1942, I am directed to say that the Board does not consider it advisable to move the United Kingdom authorities in the matter.

APPENDIX 56

Differential Treatment between Government and Private Provident Funds

Letter No. 3349, *dated 26th September* 1942, *from Chamber to the Central Board of Revenue, New Delhi.*

The attention of my Committee has been drawn to the differential treatment accorded under the rules in force, as between Provident Fund for Government employees and recognized private provident funds. The main points of difference are as under :—

1. The employer's contributions to a fund registered under the Act of 1929, are included for the purpose of computing the limitation of one-sixth of the total income prescribed under Section 15(3), whereas the employer's contributions to a fund registered under the Act of 1925 are not so included and these are also unlimited.
2. A gratuity to an employee is tax-free only if paid as compensation for loss of employment (*vide* explanation 2 to Section 7(1) of the Income-tax Act).
3. Notwithstanding the provisions of explanation 2 to Section 7(1) the retiring gratuities of railway employees although paid as a reward for past services, are tax-free by special arrangements made with the Finance Department.

It is requested that Government should consider the position as above and bring about the necessary changes in the provisions of the Act and the Rules thereunder, so as to remove this differentiation and so as to place private provident funds and payment of gratuities to commercial employees on a footing of equality with corresponding payments to Government servants.

Letter No. D. Dis. No. 44(18)-*I.T.*|42, *dated 26th October* 1942, *from the Central Board of Revenue to Chamber.*

In reply to your letter No. 3349 dated the 26th September 1942, regarding the alleged differential treatment between

Government and private provident funds, etc. I am directed to say that the existing position cannot be changed without amending the relevant provisions of the Income-tax Act. The point will be further examined when a Bill to further amend the Income-tax Act is under contemplation.

APPENDIX 57

Unclaimed Wages and Liability to Tax

Letter No. 3214, *dated* 15*th September* 1942, *from Chamber to the Central Board of Revenue, New Delhi*

My Committee have received complaints that the Income-tax Officers are treating accumulations by way of unclaimed wages as income for the last account year, with a view to taxing the whole amount in that year. It may be mentioned that, unclaimed wages accumulate from year to year and the total amount outstanding at a given date cannot for any reason be treated as income of the preceding year. In the opinion of my Committee, unclaimed wages which could not be paid to employees should be considered as accretion of capital and should be free from liability to tax. By treating the same as income of the preceding year, an artificial position would be created, increasing the tax liability of the assessee concerned, in a manner which is neither fair nor justified. This is particularly so in case where such amounts are subjected to E. P. T.

It is requested that the Board will be pleased to consider this point and to issue the necessary instructions exempting such accumulations from liability to both income-tax and excess profits tax.

Letter No. C. 26(19)-*I.T.*|42, *dated* 5*th November* 1942, *from the Central Board of Revenue to Chamber.*

In reply to your letter No. 3214, dated the 15th September 1942, regarding unclaimed wages, I am directed to say that the Board is unable to accept the opinion of your Chamber's Committee that the accumulations by way of un-

claimed wages allowed in past assessments should be treated as capital accretions. So far as it is permissible under the Act, it would be open to the Income-tax Officer to relate the unpaid amounts back to the relevant assessments in which they were not disallowed. The entire amount cannot, however, be treated as income of the year in which it is written back in the accounts and instructions to this effect are being issued to all Income-tax Officers.

APPENDIX 58

Income-tax Tribunal Rules and Procedure

Letter No. 865, *dated 20th March* 1942, *from Chamber to the President, Income-tax Appellate Tribunal, New Delhi.*

I am directed by the Committee of the Indian Merchants' Chamber, to place before you the following suggestions regarding reforms necessary in the Rules and procedure of the Tribunal.

2. My Committee feel that the Tribunal should have inherent powers, like the High Courts, to set right an obvious injustice unfettered by any specific provisions in the Act. Thus, if there are any technical defects in the papers or submissions coming up before the Tribunal, with the permission of the Tribunal, it should be possible for the parties concerned to cure such defects. Recently, an instance of the hardship likely to be caused by the absence of such general powers was brought to the notice of my Committee. It would appear that in certain cases in respect of appeals arising out of applications for registration of partnerships, the assessees had used forms which were not complete or up to date, although such forms were obtained from the Income-tax Office itself. The appeals were rejected on the technical ground that the forms used were not in order. The proper course under such circumstances would have been to allow the assessees concerned to rectify the defects by substituting correct forms. It may be added that the suggestion made herein is not new, for even in the High Courts such obvious errors of a technical character are allowed to be set right.

3. Another suggestion which my Committee would like to make is that the Tribunal should have powers to admit, at their discretion, fresh evidence at the Appellate stage, unless such evidence was withheld before the previous officers unreasonably or obstructively. It may happen that during the progress of the case, the assessee concerned may have occasion to find out fresh evidence in support of his case—evidence which perhaps was not available at the earlier stages of the proceedings or which for some reason or other could not be presented at such stages. After all, the Tribunal is primarily concerned with meeting out justice to all parties, and it is submitted that production of such fresh evidence should not be precluded or stopped for reasons of procedure or rules.

4. The Tribunal should have access only to such papers relating to an assessee's case, copies of which can also be made available to the assessee himself. The departmental file in respect of an assessee may often contain reports of private enquiries, Income-tax Officer's notes, Central Board's opinions, Commissioner's or Appellate Assistant Commissioner's instructions, or other matters regarding the nature and contents of which the assessee himself has no knowledge. Perusal of such papers, without the assessee concerned having an opportunity to rebut or to challenge the information or facts contained therein is likely to create a prejudice against the assessee, and it is, therefore, but fair and proper that the Tribunal should have access only to such papers which are in the ordinary course available to the assessees also.

5. Arrangements should also be made for publishing the decisions of the Tribunal on points of law for the benefit of the general public. The facts of the case and names of the parties concerned may be withheld; but where important points of law are concerned, it would be of great assistance to the public if a summary of the decisions of the Tribunal on the same is published. At present, the Department will know the result of every case and can circularize the same to all their officers, and the decisions in particular cases would be a matter of guidance to them in deciding whether similar cases involving the same points of dispute should be allowed to be taken to the Tribunal in appeal. The public should also have the same facility, and it is submitted that the Tribunal

should evolve a procedure for recording, with a view to publication, the decisions on matters affecting points of law.

6. The Rules should also permit an assessee, at the discretion of the Tribunal, to go into an additional ground for appeal, although the said ground may not have been mentioned in the previous submission. The Tribunal should also have an examiner attached to it for the facility of going through and examine the account points raised by the appellant. It happens that the Tribunal do not allow any such opportunity to the tax-payers unless they order a remand.

7. My Committee request that you will be good enough to consider the above suggestions sympathetically and take early steps to implement them.

Letter dated 21st May 1942, from the Registrar, Income-tax Appellate Tribunal to Chamber.

I have the honour to refer you to your letter No. 856 dated 20th March 1942, and to convey the thanks of the President for the suggestions contained therein.

2. I enclose a copy of the Rules of the Income-tax Appellate Tribunal* for the information of the Chamber.

3. You will appreciate that the powers and functions of the Tribunal are appellate. The Tribunal will, however, be pleased to consider at a meeting any suggestions which could appropriately be taken up under Sub-Section (8) of Section 5A.

4. As regards the other matters referred to in your letter, the Tribunal will keep them in view of formulating its proposals for consideration of the Government, when it proposes to amend the Act for certain other purposes.

APPENDIX 59

Presentation of Appeals

Letter No. 1542, dated 4th July 1941, from Chamber to the Registrar, Income-tax Appellate Tribunal, New Delhi.

The attention of my Committee has been drawn to the inconvenience caused to assessees by the Provisions in the

rules regarding presentation of appeals to the Tribunal, which require that the Appeal should be presented either in person at Delhi or sent by post so as to reach the Registrar within the prescribed time-limit. The time allowed for filing an appeal is 60 days from the receipt of the Appellate Order. Thus, for an appeal to be in time when sent by post the papers must be posted from a place like Bombay 3 to 4 days earlier. In fact, therefore, the assessee gets only about 56 days' time for filing an appeal.

A branch of the Tribunal sits in Bombay for hearing appeals and there is an office in Bombay for this purpose. So, if provision can be made whereby an appeal can be filed in Bombay in respect of cases coming within the Bombay Circle, the time-limit of 60 days will be available in full. Besides, it would also be a facility to the assessees from Bombay.

My Committee believe that arrangements for receiving papers in Bombay can be made without any inconvenience to the Department."

Letter No. D.A. Dis. No. F. 195-*A.T.*|41, *dated* 14*th March* 1942, *from the Registrar, Income-tax Appellate Tribunal, to Chamber.*

With reference to your letter No. 586 dated the 28th February 1942, I have the honour to say that the President regrets that he is unable to accept the proposal made in your letter of 4th July 1941. I am, however, to refer you in this connection to the provisions of new sub-section (2A) of Section 33 as inserted by the Indian Income-tax (Amendment) Act, 1941.

APPENDIX 60

Appellate Assistant Commissioners

Letter No. 3130, *dated* 29*th August* 1942, *from Chamber to the Central Board of Revenue, Government of India, New Delhi.*

It is a salutary principle that the Executive, who are concerned with deciding matters of facts or law, should not

themselves sit in judgment on any points in regard to such decisions that are brought up for appellate consideration. In recognition of this principle, my Committee had long since been suggesting the necessity for removing the appellate machinery under the Income-tax Act from the administrative control of the Central Board of Revenue and the Finance Department. The case for such separation of functions was also stressed in the Legislative Assembly during recent discussions on income-tax matters. My Committee are glad that Government have taken a step in this direction by removing the Income-tax Appellate Tribunal from the administrative control of the Finance Department and placing the same under the Legislative Department. They, however, submit that this change does not meet the full requirements of the case. It should be followed up by removing the Appellate Assistant Commissioners, the initial and the first appellate authority under the Act, also from the control of the Central Board of Revenue. They suggest that the Appellate Assistant Commissioners should be placed under the control of the Appellate Tribunal and consequently under the Legislative Department. This reform is necessary in order to inspire full confidence among the taxpayers in the usefulness and independence of the machinery of appeal prescribed under the Income-tax Act.

Letter No. D.A.Dis. No. 50-Gl.-(16)I.T./42, dated 12th September 1942, from the Secretary, Central Board of Revenue, Government of India, to Chamber.

With reference to your letter, No. 3130, dated the 29th/31st August 1942, I am directed to say that the Government of India have already considered the matter and have reached the definite conclusion that no case has been made out for placing the Appellate Assistant Commissioners under the control of the Legislative Department. A copy of the Legislative Department letter, No. F.13/42-I.T.A.T., dated the 13th July 1942, conveying the decision to the Secretary, Merchants' Chamber, United Provinces, Cawnpore, is enclosed for your information.

Copy of a letter from the Honourable Mr. Shavax A. Lal, C.I.E., Deputy Secretary to the Government of India in the Legislative Department, to the Secretary, Merchants' Chamber, United Provinces, Cawnpore, No. F. 13/42-I.T.A.T., dated the 13th July 1942.

With reference to your letter No. 21537/42/L.N.3/1, dated the 23rd June 1942, addressed to the Honourable the Law Member, I am directed to inform you that the Government of India have carefully considered the question raised by you and they have reached the definite conclusion that no case has been made out for placing the Appellate Assistant Commissioners under the control of the Legislative Department. The suggestion in para. 3 of your letter that the necessity of transferring the entire appellate machinery in the interest of justice has been conceded by Government is entirely without foundation, and I am to refer you in this connection to the sharp distinction drawn by the Honourable the Finance Member in his speech in the Legislative Assembly on the 19th February 1942 (pages 340-341), between the position of Government with reference to the transfer of Appellate Assistant Commissioners to the control of the Legislative Department and their position with reference to such transfer of the Appellate Tribunal. Unlike the Members of the Tribunal, Appellate Assistant Commissioners are officers of the Income-tax Department and their independence of the Central Board of Revenue is adequately secured by the proviso to sub-section (8) of Section 5 of the Indian Income-tax Act, 1922. The Government of India are fully satisfied that this proviso is scrupulously observed in practice. That being the legal and factual position, the Government of India regard it as wholly out of the question to entertain any proposal for the transfer of the Appellate Assistant Commissioners to the administrative control of the Legislative or any other Department of the Government of India.

APPENDIX 61

Legal Expenses — Allowance of and Marginal Relief

Letter No. 2418, *dated* 15*th June* 1942, *from Chamber to the Central Board of Revenue, Government of India, New Delhi.*

Although under the Income-tax Act there is no specific provision for allowing legal expenses incurred in connection with Income-tax proceedings, by Executive arrangement, expenses incurred in regard to original assessments are allowed. Expenses regarding appeal proceedings, however, are not being allowed. It has been pointed out to my Committee that in the United Kingdom as a concession legal expenses are allowed in the case of an appeal against assessment on a company under Section 21 of the U.K. Finance Act, if the appeal is successful. Section 21 of the U.K. Finance Act relates to the assessment of what are known as Director-Controlled companies. The corresponding section under the Indian Act is Section 23A. My Committee submit that on the analogy of the relief allowed in the U.K. legal expenses in respect of appeal proceedings under Section 23A of the Indian Act should be a permissible deduction. My Committee hope that the Board will be pleased to consider the suggestion favourably and to issue the necessary instructions.

Marginal Relief. Section 17 of the Indian Income-tax Act, before it was amended by the Act of 1939, provided for marginal relief in cases where owing to the fact that the total income of an assessee had reached or exceeded a certain limit, he became liable to pay income-tax or to pay tax at a higher rate. This provision was removed in 1939.

With the lowering of the limit this year, however, the absence of any arrangement for marginal relief is found to involve a hardship on the smaller assessees. The case may be illustrated by a hypothetical instance. In the case of a person A whose income is Rs. 1,500 and of a person B whose income is Rs. 1,502, according to the rates in force at present, while A will not be liable to any tax, B will have to pay a tax of Rs. 23-8. Thus for an increased income by Rs. 2 he has to pay a penalty in the shape of tax to the extent

of Rs. 23-8. The anomaly is too obvious to need further comment.

It is, therefore, requested that the Board will be pleased to consider the point and to arrange for the provision of the arrangement for marginal relief more or less on the basis which existed under Section 17 of the old Act.

Letter No. 27 (40)-I.T./42, dated 12th August 1942, from the Central Board of Revenue, Government of India, Simla, to Chamber.

With reference to your letter No. 2418, dated the 15th June 1942, I am directed to enclose a copy of Board's Circular No. 38 of 1942 (R. Dis. No. 27 (40)-I.T./42, dated the 8th August 1942).

2. I am to observe that no provision for marginal relief is necessary since there will be no hardship if, as is intended, assessees with incomes between Rs. 1,500 and Rs. 2,000 make a deposit in the Defence Savings Bank and these deposits are to be repaid after the termination of hostilities.

APPENDIX 62

Section 66(1) of the Income-tax Act — Submission of Case to the High Court

Letter No. 3474, dated 13th October 1942, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

It is provided under Section 66(1) of the Indian Income-tax Act that any application by an assessee requiring to refer to High Court any question of Law arising out of an Order under Section 33(4) shall be submitted within 60 days of the date on which the notice of the order was served on him. There is no provision in the Act, however, for extending the time-limit of 60 days prescribed, and if for any reason the assessee is not able to make the application within that time the opportunity for referring the matter to High Court will be denied to him. It is felt that provision should be made for extending the time-limit in suitable cases. It may be recalled that, similarly, there was no provision for extending

the time-limit under Section 33 in regard to appeals to the Tribunal against orders of the Appellate Assistant Commissioner. In response to the representations made by this Chamber and other commercial bodies, this omission was made good and by the Income-tax Amendment Act, 1941, a sub-section was added authorizing the Tribunal to admit an appeal after the expiry of the prescribed time if it was satisfied that there was sufficient cause for not presenting it within that period. My Committee urge that a similar provision should be incorporated for purposes of statement of cases under Section 66(1), so that if the Tribunal is satisfied that the delay in making the necessary application was due to *bona fide* reason, it should be condoned and the case should be stated for consideration of the High Court.

It is hoped that the Central Board of Revenue will be pleased to accept the above suggestion.

Letter No. C. No. 45(85)-I.T./42, dated 2nd December 1942, from the Central Board of Revenue, Government of India, Simla, to Chamber.

With reference to your letter No. 3474 dated the 13th October 1942, on the above subject, I am directed to state that the views of your chamber have been noted by the Board.

APPENDIX 63

Straddle Business — Assessment of Profits

Letter No. 3210, dated 12th September 1942, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

It was recognized at the time of the Income-tax Amendment Act, 1939, that profits resulting from straddle business could be properly ascertained only by taking into account both the "legs" of the transaction and that for the purpose of assessment to tax the basis should be the net result.

My Committee, however, have recently received complaints that in some cases the above position is not being strictly adhered to and that the Income-tax Officers are

inclined to make assessments after taking into account only one side of the transaction. They would like to know if any general instructions have been issued in the matter by the Department ; if not, they suggest that in order to make matters clear beyond doubt, instructions be issued so that the tax liability on straddle business should be ascertained with reference to the net result after taking into account both the "legs" of the transaction.

Letter No. D.A.Dis. No. 26(20)-I.T./42, dated 23rd October 1942, from the Central Board of Revenue, Government of India, Simla, to Chamber.

With reference to your letter No. 3210, dated the 12th September 1942, I am directed to state that instructions have already been issued to the effect that while assessing profits made in British India by non-residents from hedges and straddle transactions any loss incurred elsewhere in the course of the transactions as a whole should be set off provided it has been determined within the accounting period under assessment. Such instructions are, however, considered superfluous in the case of persons ordinarily resident as well as persons resident but not ordinarily resident in British India since the losses in their cases are legally admissible in computing their total income.

APPENDIX 64

Income-tax Assessment and Allowance of Loss of Stock in Trade due to Enemy Action

Letter No. 859, dated 20th March 1942, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

The position in regard to loss of stock in trade due to enemy action is one of topical importance. In the case of ordinary loss by fire where goods, viz. stock-in-trade, are uninsured the loss suffered is allowed for taxation purposes. My Committee have received enquiries as to whether loss under similar circumstances due to enemy action would also be allowed. It may be that the stock was not insured under the War Risk (Goods) Insurance Ordinance due to their

being no such ordinance at the time or due to the fact that the total value of the goods did not exceed Rs. 20,000 which is the exemption limit for compulsory insurance. In such cases, in the opinion of my Committee, the loss should be treated as business loss and should be allowed for purposes of taxation. It is requested that the Board will be pleased to issue the necessary instructions at an early date.

Letter No. C.No.27(16)-I.T./42, dated 3rd June 1942, from the Central Board of Revenue, Government of India, to Chamber.

With reference to your letter No. 859 dated the 20th March 1942, regarding loss by enemy action of goods not insured under the War Risks (Goods) Insurance Ordinance, 1940, I am directed to state that the Board finds it difficult to believe that any stocks could have been lost in British India as the result of enemy action before the coming into force of the War Risks (Goods) Insurance Ordinance, 1940. As regards losses of stock-in-trade not covered by the Ordinance owing to the value of the goods being below the exemption limit prescribed under Section 7(1) of the Ordinance, such losses would normally be allowed as a business loss for taxation purposes. But before expressing an authoritative opinion in the matter, however, the Board would like to know what exactly the Chamber mean when they speak of losses due to enemy action as also the precise cases or classes of case they had in mind when making the reference.

APPENDIX 65

Allowance of Income-tax on A.R.P. Expenditure incurred by Mills

Letter No. 1180, dated 22nd April 1942, from Chamber to the Labour Department, Government of India, New Delhi.

The Millowners' Association, Bombay, has forwarded to my Committee a copy of their letter dated 16th April addressed to Government on the subject of expenses incurred by Mills in connection with A.R.P. measures. The orders already issued by Government in this regard provide that

the owners will be permitted to write off such costs as revenue expenses for income-tax and E.P.T. purposes except to the limited extent that some of the items of expenditure may have a "permanent post-war 'capital' commercial value." The Association has pointed out that the relief in respect of income-tax alone will not meet the requirement of the situation, and has suggested the modification of the scheme in the following directions :—

1. That expenditure already incurred before the coming into force of these instructions and, therefore, not "approved A.R.P. measures" in the sense that no previous approval had been taken, should also be allowed.
2. The full cost of all A.R.P. measures should be allowed as a deduction for purposes of income-tax and E.P.T. notwithstanding any consideration of "permanent post-war 'capital' commercial value".
3. Where cent per cent of the expenditure cannot be provided for in the shape of relief in taxation, arrangements should be made that a lump sum payment equivalent to the difference between the total expenses incurred on A. R. P. and the cash value of the relief from taxation should be met by Government.
4. The cost of the demolition at a future date of blast walls, filling up of trenches, etc. should be allowable to an assessee in future years.

My Committee are in general agreement with the above suggestions and strongly urge that steps should be taken to make the necessary provision on the lines indicated above, so that factory owners would be enabled to recoup fully the expenses incurred by them for A. R. P. purposes.

Letter No. A.R.P.-I/7A, dated 6th May 1942, from the Labour Department, Government of India, New Delhi, to Chamber.

I am directed to refer to your letter No. 1542/164C/ No. 1180, dated the 16th/22nd April 1942, regarding the Government of India's Scheme for the recovery of cost of

A.R.P. measures in factories. I am to enclose a copy of the Government of India's final Scheme on this matter which was issued to factories on the 27th of February but which you do not appear to have received. It will be seen that it clears up some of the points you raise.

2. This Scheme has been evolved after careful consideration. The Government of India are satisfied that it is a fair and reasonable one, and they propose adhering to it. As regards one point you raise, namely, the cost of the demolition of A. R. P. structural measures after the war, the Government of India, are, however, prepared to give an assurance that expenditure on this will be allowed to be treated as revenue expenses for income-tax and Excess Profits Tax purposes.

Letter No. 2181, *dated* 14*th May* 1942, *from Chamber to the Labour Department, Government of India, New Delhi.*

I am directed to acknowledge receipt of your letter No. A.R.P./I/7A, dated the 6th May 1942, on the above subject, the contents of which have been noted by my Committee.

In this connection, it has been brought to the knowledge of my Committee that there is in vogue a system of "classification" of factories and in the case of "classified" factories, a substantial part of the expenditure incurred on A.R.P. measures is met by a cash payment from Government. My Committee would like to know if the above information is correct and, if so, they would like to have the details of the basis on which the 'classification' is being made. They may also be furnished with the extent of the direct assistance received by such 'classified' factories from Government in regard to reimbursement of expenditure incurred for A.R.P. purposes.

Letter No. A.R.P.I./7A, dated 26*th May* 1942, *from the Labour Department, Government of India, New Delhi, to Chamber.*

I am directed to refer to your letter No. 2181, dated the 14th May 1942, regarding the recovery of cost of A. R. P. measures in factories. With regard to A.R.P., the Central Government have divided factories into two classes; Class I

consisting of those factories which are engaged mainly in the production of war supplies and Class II consisting of all other factories. They have further subdivided Class I factories into four categories, 'A', 'BI', 'BII' and 'C', in the order of their importance to the war effort. I am, however, to add that your information that a substantial part of the expenditure incurred on A.R.P. measures in these classified factories is met by a cash payment from Government is incorrect. All factories are treated alike by Government in accordance with the scheme a copy of which has already been communicated to you.

APPENDIX 66

E.P.T. Act and Negative Standard

Letter No. 858, dated 20th March 1942, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

I am directed to invite a reference to the correspondence that has passed between my Committee and the Board ending with your letter No. C. No. 8(ii)-E.P./41, dated the 23rd August 1941, on the above subject. My Committee had, in their letter of the 2nd July 1941, submitted that in a case where the standard period consisted of two previous years, in which in one year there was a profit and in another loss, the standard profit should be determined only with reference to the year in which there was a profit and that the loss in one year ought not to be set off against the profit, in another and the balance divided by two to determine the standard. The Board did not agree to the above position and in justification suggested that in the circumstances of such a case the adoption of that interpretation would be tantamount to the taking of the standard period of one year which was not within the options allowed to an assessee, by sub-section (2) of Section 6 of the E. P. T. Act. It may, however, be pointed out that my Committee had, in their letter of the 2nd July, mentioned that the profit of the year in question is to be divided by two for determining the standard profit and as such, my Committee cannot see how it can be

suggested that the adoption of their interpretation would mean the grant of an additional option.

The views of my Committee have found support in the provisions and practice adopted under similar circumstances by the Canadian E. P. T. Act and by the Uganda Protectorate of South Africa E. P. T. Act. In the Canadian Act the following provision occurs :—

> "'Standard Profits' mean the average yearly profits derived by a taxpayer in the standard period from carrying on the same general class of business producing the profit in the year of taxation, or the standard profits as determined in accordance with Section 5 of this Act, provided, however, that losses incurred by the taxpayer during the standard period shall not be deducted from the profits in the standard period but the years or fiscal periods when such losses were incurred shall nevertheless be counted in determining the average yearly profits during the said standard period."

Section 9(5) of the Uganda Protectorate of South Africa Excess Profits Tax Act reads as under :—

> "In determining the average profits for 12 months, any loss which may have incurred during any period upon which the calculation of such average is based shall not be taken into account."

The principle underlying both these provisions is that the loss, if any, is not to be taken into account in determining the profit of the standard period. In view of this additional support for their viewpoint, my Committee urge that Government may be pleased to reconsider the position and to issue instructions with a view to the standard profits under such circumstances being arrived at only with reference to the year in which there was a profit.

Letter No. C. No. 8(ii) (11)-E.P./41, dated 27th March 1942, from the Central Board of Revenue, Government of India, New Delhi, to Chamber.

In reply to your letters Nos. 857 and 858, dated the 20th March 1942, I am directed to say that the Board agrees with

the view expressed in the E.P.T.A.'s letter of the 15th July 1941 and that it is not prepared to depart from the position taken up therein.

APPENDIX 67

E.P.T. — Change in the Constitution of a Partnership on Death or Retirement

Letter No. 2416, dated 15th June 1942, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

Section 8 of the Excess Profits Tax Act provides that in the case of a partnership when any one of the partners dies and the business of the partnership is continued by the surviving partners, relief in respect of deficiencies arising before the change shall be allowed to the surviving partners. The said relief, however, is not available to the successors when a change occurs consequent upon the retirement of one partner. It has been pointed out to my Committee that the provision as above does not go far enough and that in the U.K., under Executive instructions, continuing partners are allowed appropriate relief in respect of deficiencies arising before or after the change either by death or retirement. The following report of an interpellation on 8th January 1942 in the House of Commons (*vide* "Accountant" Tax Supplement, 17th January 1942) confirms that the position in this regard in the U.K. is as has been explained above by my Committee :

> "Mr. De La Bere asked the Chancellor of the Exchequer whether he is aware of the hardship which at present exists by reason of it being deemed, for the purposes of the Excess Profits Tax, that a new business is commenced on the death or retirement of a member of a partnership firm, thus precluding any right to continuing partners to claim, in the event of a future deficiency, a repayment of excess profits tax paid in respect of a partner prior to such event ; and whether he will take steps to remove this anomaly ?
>
> Sir K. Wood : I am advised by the Board of Inland Revenue that, in the case of a change in the constitution of a partnership, it is their practice to allow to continuing

partners appropriate relief in respect of deficiencies arising before or after the change, and instructions to this effect have now been issued."

My Committee request that the Central Board of Revenue will be pleased to issue similar instructions here also so that the relief in the matter of allowance of deficiencies of profits would be allowed to the continuing partners to the same extent as the same is being allowed under Executive Instructions in the U.K.

Letter No. 14, *C.No.*8 (37)-*E.P./42, dated 7th July* 1942, *from the Central Board of Revenue, Simla, to Chamber.*

The Board has had under consideration cases of changes in partnerships occuring after 1st September 1939 and the application thereto of the provisions of Section 7 of the Act relating to the set-off of deficiencies, and has decided that the deficiency in one chargeable accounting period, whether occuring before or after the change, may be set-off against the excess profits in another chargeable accounting period, in so far as such deficiency was borne and such excess was enjoyed by the same partner.

It must be particularly noted, however, that, in cases to which sub-section (7) of Section 8 of the Act applies, there can be no restriction of the right to complete set-off of a deficiency occurring *before* the change in partnership against excess profits arising after the change.

The application of these instructions is illustrated by the following examples :—

1. A, B and C in partnership, A dies on the 31st December 1939 and the partners B and C continue to carry on the business.

	Rs.
1st C.A.P. 4 months to 31-12-'39 Deficiency	40,000
2nd C.A.P. 12 months to 31-12-'40 Excess Profits	30,000
3rd C.A.P. 12 months to 31-12-'41 Excess Profits	60,000

In this case Rule 8(7) of Schedule I applies and the excess profits of the second C.A.P. should be cancelled by set-off of Rs. 30,000 of the deficiency of the first C.A.P, and the excess

profits of the third C.A.P. should be reduced by set-off of the remaining Rs. 10,000 of that deficiency.

2. Circumstances as in Example 1, A, B and C sharing profits or losses in the proportion of 6 : 5 : 5, and after the change B and C sharing equally

			Rs.
1st C.A.P.	4 months to 31-12-1939	Excess	24,000
2nd C.A.P.	12 months to 31-12-1940	Deficiency	36,000

In this case A has suffered no deficiency, and the deficiencies suffered by B and C should be set off *only* against excess profits enjoyed by them.

As B's and C's share of the excess of Rs. 24,000 is 5/16 each, i.e. Rs. 7,500 while their share of the deficiency of Rs. 36,000 is Rs. 18,000 each, set-off under Section 7, allowable by refund, must be restricted to tax on Rs. 7,500 each.

The balance of the deficiency, viz. Rs. 10,500 each, is available under the section to be set off against any later excesses in the same business suffered by partners B and C.

3. A and B in partnership, sharing equally, up to 31st March 1940. From 1st April 1940, C is taken into the partnership, profits or losses being shared in the following proportions, A 6/16, B 6/16 and C 4/16.

On 1st April 1941 A retires and D becomes a partner, profits and losses being shared thereafter in the following proportions :—

B 7/16, C 5/16, D 4/16.

				Rs.
The 1st	C.A.P. ended	31-3-1940	shows an Excess of	64,000
2nd	„ „	31-3-1941	„ a Deficiency of	160,000
3rd	„ „	31-3-1942	„ an Excess of	112,000

The position of the individual partners is :—

	1st C.A.P.	*2nd C.A.P.*	*3rd C.A.P*
A	Excess Rs. 32,000	Deficiency Rs. 60,000	
B	Excess Rs. 32,000	Deficiency Rs. 60,000	Excess Rs. 49,000
C	—	Deficiency Rs. 40,000	Excess Rs. 35,000
D	—	—	Excess Rs. 28,000

In this case for the 2nd C.A.P. set-off (and refund, if necessary) under Section 7 should be made in respect of Rs. 32,000

of the deficiency suffered by each of A and B against the excess profits of Rs. 32,000 each of the first C.A.P.

In assessing the excess profits of the third C.A.P. set-off should be allowed

(i) of the balance of Rs. 28,000 of B's deficiency, and

(ii) of Rs. 35,000 of C's deficiency,

so that the assessment for the third C.A.P. should be Rs. 1,12,000 less Deficiencies Rs. 63,000 = Rs. 49,000.

(*Note.*—The balance Rs. 5,000 of C's Deficiency will be available for set-off against any subsequent excess enjoyed by C.)

In any case where there is any doubt as to the proper application of these instructions, or where the assessee disagrees with the treatment proposed by the E.P.T. Officer, it should be referred to the E.P.T. Adviser for instructions.

It is to be noted that apart from cases covered by subsection (7) of Section 8 of the Act, the treatment authorized by this Circular is concessional, and that it should be clearly understood by the assessee that such set-offs are only authorized upon the understanding that they are taken individually into account in computing the partners' proportions of the profits assessable under Section 10 of the Income-tax Act.

Thus if for Income-tax purposes the assessable profits of the firm for the year of assessment for which that C.A.P. is the "previous year" were Rs. 2,08,000 less E.P.T. payable Rs. 24,500 (50% of Rs. 49,000), the apportionment should be as follows :—

		Rs.	Rs.
B	7/16 of Rs. 2,08,000	91,000	
	Less E.P.T. 50% of Rs. (49,000 — 28,000)	= 10,500	= 80,500
C	5/16 of Rs. 2,08,000	= 65,000	
	Less E.P.T.	Nil	= 65,000
D	4/16 of Rs. 2,08,000	= 52,000	
	Less E.P.T. 50% of Rs. 28,000	= 14,000	= 38,000
	Total	Rs.	1,83,500

Letter No. 3213, *dated* 15*th September* 1942, *from Chamber to the Central Board of Revenue, New Delhi.*

I am directed to refer to the correspondence on the above subject, ending with your letter No. C-8(37)-E.P./42, dated 1st July 1942, and the subsequent Circular No. 14 dated 7th July. My Committee have carefully considered the provisions set forth in the circular, and I am directed to point out that the same does not cover the following two types of cases—

(a) where an individual was carrying on business in which deficiencies were incurred and where the business was transferred to a partnership of which the former proprietor was one of the partners; and

(b) where the sole proprietor transferred his business to a private limited company provided there was continuity of partnership throughout.

My Committee understand that the relief in question is available under the above circumstances in United Kindom, and they therefore request that further instructions be issued in the matter with a view to include the above two types of cases.

Letter No. 8(37)-*E.P./42, dated* 26*th September* 1942, *from the Central Board of Revenue, Government of India, to Chamber.*

In reply to your letter No. 3213, dated the 15th September 1942, I am directed to say that instructions have already been issued that—

> "in the case of a business in which a deficiency of profits occurred in the first chargeable accounting period when it was carried on by an individual proprietor and in which there are excess profits in the second chargeable accounting period during which it was carried on by a partnership in which the former sole proprietor was a partner, although not technically a change of partnership, this type of case is within the spirit of the Circular and it should be treated as covered thereby".

2. The Board do not propose to issue any instructions in the latter type of case referred to in your letter as a case

of a transfer to a limited company of a business carried on by an individual has not as yet arisen.

APPENDIX 68

E.P.T. and Aggregation of the Income of Wife and Minor Child

Letter No. 2417, dated 15th June 1942, from Chamber to the Central Board of Revenue, Government of India, Simla.

Section 16(3) of the Income-tax Act provides that in computing the total income of any individual so much of the income of the wife or minor child of such individual as arises directly or indirectly from the partnership of the wife in the firm concerned, from the admission of the minor to the benefit of the partnership and from assets transferred directly or indirectly under certain circumstances, shall be included. The question arises as to whether this principle of aggregation applies for purposes of E.P.T. assessments. Section 21 of the E.P.T. Act mentions and enumerates the provisions and section of the Income-tax Act which would *mutatis mutandis* apply for E.P.T. purposes. However, Section 16 of the Income-tax is not one of the sections so included as applicable for E.P.T. purposes, and it is, therefore, reasonable to hold that so far as E.P.T. assessments are concerned, there is no provision for the aggregation of the income of the individual with that of the wife or child. My Committee seek from the Board a confirmation of their interpretation of the position in law as above.

They are, however, informed that E.P.T. officers are not agreeing to the above view and are in cases of the kind under contemplation aggregating the income of the wife or the minor child with that of the individual for purposes of E.P.T. assessment. The following instances of cases where the income of the wives have been added to the firm's income in Bombay have been brought to the notice of my Committee :—

(1) Mr. M. C. Mehta,
(2) Messrs. P. Kirpalani & Co., G.I. No. 1330, E.P.T. Cir.-II, and
(3) Messrs. C. Parekh & Co.

Letter No. 8(36)-E.P./42, dated 22nd July 1942, from the Central Board of Revenue, Government of India, Simla, to Chamber.

In reply to your letter No. 2417, dated the 15th June 1942, I beg to inform you that it is agreed that Section 16(3) of the Indian Income-tax Act, 1922 is not one of the sections applied to Excess Profits Tax by Section 21 of the Excess Profits Tax Act, 1940. I find, however, that that section has not been applied by the Excess Profits Tax Officer in either of the cases mentioned in your letter. In each case the view has been taken that the amount shown in the assessee's books as interest payable to his wife or to his minor children was not interest allowable under Section 10(2) (iii) of the Income-tax Act. If that view is challenged the proper course is to proceed by way of appeal under Section 17 of the Excess Profits Tax Act.

APPENDIX 69

E.P.T. Act Rule 5, Schedule I — Bank's Loan and Capital Computation

Letter No. 857, dated 20th March 1942, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

I am directed to invite a reference to the correspondence on the above subject ending with the letter addressed to my Committee by the E.P.T. Adviser, No. 8(ii)(11)-E.P./41, dated the 15th July 1941. In their letter dated 2nd July 1941, my Committee had pointed out that on a strict construction of the conditions in Rule 5, the relief contemplated in respect of bank's loan, etc. would be available only in the case of assessees who had a standard period and that in the case of assessees whose standard profits were to be computed with reference to statutory percentage on average capital employed, the bank's loan would not be deemed to be capital and that the relief contemplated under the rule would not be available. The Board, however, were pleased to remove this anomaly by issuing the following instructions to the E.P.T. Officers :—

"On a strictly literal reading of the provisions of Rule 5 of Schedule I, it is possible to argue that it excludes from its operation the case of newly started businesses to which none of the optional standard periods provided by sub-section (2) of Section 6 are available. Such differentiation between old and new concerns is clearly unfair and the Board therefore directs that the rule should be applied to the case of all new concerns which have no standard period and that for this purpose the *entire* borrowings effected by means of loans from a bank carrying on a *bona fide* banking business, or by means of a public issue of debentures should be treated as capital of the business within the meaning of Rule 5."

My Committee thought that the above instructions would meet the requirements of the situation and that the relief would be made available in all appropriate cases. Their attention, however, has been drawn to the fact that the Department is seeking to make a distinction between businesses which commenced after 1st April 1936 but before 1st September 1939 and those which commenced after 1st April 1939. Some of the businesses started after 1st April 1938 but before 1st September 1939 may have a standard period under the Act, but might yet wish to exercise the option of a capital standard because the latter is more favourable. In such cases, the Department, it would appear, is inclined to hold that even though the capital percentage standard is adopted, the businesses concerned are not entitled to the concession of treating the whole of the bank's loan as capital. It is felt that there is no justification for confining the relief only to concerns which, in fact, had no standard periods and the distinction sought to be made as above should be done away with. The relief in question should be made available equally to all new companies.

My Committee hope that the Board will be pleased to accept the above suggestion and issue necessary instructions to implement the same.

APPENDIX 70

Rule 5, Schedule I of the E.P.T. Act — Method of determining Increased Capital by Borrowing

Letter No. 2608, *dated 9th July* 1942, *from Chamber to the Central Board of Revenue, Government of India, Simla.*

The Indian Chamber of Commerce, Calcutta, has forwarded, for the information of my Committee, a copy of their letter dated 11th June 1942, addressed to the Board on the question of method of calculating increase of capital by borrowings for the purpose of Rule 5, Schedule I of the E.P.T. Act. From the correspondence, it would appear, that the official view of the position is that the relief under the provision in question will apply to the difference between (1) the average borrowings of the chargeable accounting period and the average borrowings of the standard period or (ii) the average borrowings of the chargeable accounting period and the actual borrowings at the close of the standard period, whichever is less. My Committee agree with the contention of the Indian Chamber of Commerce that the wording of Rule 5 of Schedule I, as it stands at present, does not warrant the above interpretation. Moreover, it is not fair to interpret a tax provision necessarily to the disadvantage of the taxpayer. The proper procedure would be for the Board to decide as to whether they would take into account the " average amount " or the " amount at the close of the standard period " and apply the principle uniformly to all assessees. My Committee support the case presented by the Indian Chamber of Commerce, Calcutta, and request that instructions be issued to the Department accordingly.

Letter No. C. No. 13(10)-*E.P./42, dated 16th July* 1942, *from the Central Board of Revenue, Government of India, Simla, to Chamber.*

In reply to your letter dated the 9th July 1942, which has been passed on to me for attention, I beg to inform you that the Board has carefully considered the request of the Chamber and it is of the opinion that the official interpretation is correct.

APPENDIX 71

Assessment of Remuneration paid to a Whole-time Director under the E.P.T. Act

Letter No. 3212, *dated* 15*th September* 1942, *from Chamber to the Central Board of Revenue, Government of India, New Delhi.*

Under Rule 7, Schedule I, of the E.P.T. Act remuneration paid to a Director who devotes substantially the whole of his time to the service of a company in the chargeable accounting period will not be allowed as a deduction if the person concerned was not in that category in the standard period. My Committee are given to understand that in the U.K., concessionally, under similar circumstances, payments of remuneration to the whole-time Director are allowed from the profits of the chargeable accounting period although there might not have been a corresponding deduction in the standard period. My Committee request that the point should be examined by the Board with a view to instructions being issued so as to treat such payments as an allowable deduction.

There may be the case of a company in which a person who was a paid manager in the standard period, is subsequently elevated to the position of a Managing Director during the chargeable accounting period. In such a case although the remuneration was deductable in the standard period, the same would perhaps be disallowed for the chargeable accounting period. The injustice of the existing provision is all the more evident in such a case and it is, therefore, necessary that the anomaly should be removed.

Letter No. C. No. 8(56)-*E.P./42, dated* 23*rd September* 1942, *from the Central Board of Revenue, Government of India, Simla, to Chamber.*

In reply to your letter No. 3212, dated the 15th September 1942, which has been passed to me by the Secretary to the Central Board of Revenue, I regret that I do not agree with your Committee's interpretation of sub-rule (1) as affected by sub-rule (2) of Rule 7, Schedule I of the Act. It appears, therefore, unnecessary for any instructions, such as you suggest, to be issued. If, however, you have knowledge of a

specific case in which that Rule is interpreted to the detriment of the Company in the way that you suggest, I shall be pleased to look into it if you will give me the necessary particulars.

APPENDIX 72

E.P.T. Act — Property Destroyed or Damaged by Enemy Action or under Enemy Control

Letter No. 3211, *dated* 12*th September* 1942, *from Chamber to the Central Board of Revenue, Government of India, New Delhi.*

I am directed by my Committee to address the Central Board of Revenue on the question of the position of assessees in India having business interests in countries overrun by enemy such as Burma, Malaya, etc. If property destroyed or damaged by enemy action or under enemy control is to be excluded for the purposes of computing capital, great injustice is bound to arise to the assessees concerned, as standard profits would thereby be reduced by a percentage of the amount of capital so destroyed and consequently, the excess of profits for the chargeable accounting period would show an inflated position.

In this connection, it has been pointed out to my Committee that in the United Kingdom under similar circumstances, it is proposed to allow relief to such assessees by treating their foreign assets as in existence and not excluding the same in capital computation. In the issue of *Taxation,* dated 18th April 1942, the following report of an interpretation in the Parliament appears :—

> "In reply to a Parliamentary question, it has been announced that F.M.S. Tin and Rubber Companies would not be treated as having ceased business, if they continued in being with the intention of resuming operations in Malaya when circumstances permit. This resolves any doubt as to the treatment of Companies that have borne E.P.T. and ensures that they will be able to recover the E.P.T. paid by reason of sufficient deficiencies."

My Committee, therefore, request that the Board will be pleased to examine the question, so as to give necessary relief to the assessees placed in such circumstances in the matter of computation of capital, future deficiency relief and treatment of bad debts incurred in such foreign territories.

Letter No. C. No. 8 (57)-E.P./42, dated 25th September 1942, from the Central Board of Revenue, Government of India, Simla, to Chamber.

In reply to your letter dated the 12th September, which has been passed to me, I have to inform you that the Board has already considered the case of assessees whose business assets are in enemy-occupied territory and whose business is kept in being with the intention of resumption when circumstances permit, and that they have decided that such assessee is not for Excess Profits Tax purposes to be treated as having ceased to carry on the business. The computation of average capital of the chargeable accounting period will be made without excluding such assets and any resultant deficiency of profits will be available for set-off under Section 7 of the Act.

As regards debts in enemy-occupied territories, it is intended that, except where it can be shown that the debt is actually bad, the same treatment should be extended to them as in the case of debts due from enemy countries or goods on enemy vessels in neutral ports, viz. the sum in question will be provisionally disallowed and, the assessee having given formal notice of appeal, tax upon that sum will be allowed to stand over until the time arrives when the actual loss, if any, can be definitely ascertained.

APPENDIX 73

E.P.T. Assessments and Income from Dividends

Letter No. 979, dated 1st April 1942, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

I am desired by my Committee to address the Central Board of Revenue in the matter of procedure to be followed

in including income from dividend for purposes of computing the total income of an assessee for E.P.T. assessments.

Under Section 16 of the Indian Income-tax Act so far as income-tax assessments are concerned the income from dividend has to be grossed, i.e. the actual dividend income has to be increased by the amount of income-tax payable thereon calculated at the rate applicable to the total income of the company. In the opinion of my Committee, this procedure, however, is not applicable in estimating the income for purposes of E.P.T. assessments. Among the Income-tax sections made applicable to E.P.T. Act purposes, *vide* Section 21 of the latter Act, the said Section 16 is not included and, therefore, the provision in regard to grossing up will not operate for E.P.T. purposes. The income has to be estimated with reference to the net figure.

My Committee understand that the Department, however, is computing the income in such cases after grossing up income from dividends. Such a course is not justified. It is requested that the point may be made clear by the issue of instructions to the officials concerned.

Letter No. C. No. 8(26)-E.P./42, dated 2nd May 1942, from the Central Board of Revenue, Government of India, Simla, to Chamber.

In reply to your letter of the 1st April, passed to me by the Secretary, Central Board of Revenue, if you will let me know the cases in which the action of which you complain has been taken I will look into the matter.

Letter No. 2388, dated 11th June 1942, from Chamber to the Central Board of Revenue, Government of India, Simla.

With reference to your letter C. No. 8(26)-E.P./42, dated 2nd May 1942, I give below names of assessees who have been assessed to Excess Profits Tax and in whose cases the dividend income has been grossed for the purpose of income-tax assessment and the same figure of profits as arrived for the purpose of income-tax has been adopted for the purpose of determining Excess Profits Tax payable :—

No.	Name	G.I. No.	Period	Jurisdiction
1	M. C. Mehta, Esq. ...	237	1st Chargeable accounting period	Excess Profits Tax Officer, Circle I, Bombay
2	Messrs. Bhaidas Maganlal & Co. ...	28	,,	,,
3	Champaklal Devidas, Esq.	53	,,	,,
4	Messrs. C. Parekh & Co. ...	55	,,	,,
5	,, Fazel Ibrahim & Co., Ltd. ...	603		Co's Circle II

Letter No. C. No. 8(26)-E.P./42, dated 17th June 1942, from the Central Board of Revenue, Government of India, Simla, to Chamber.

With reference to your letter No. 2388, dated the 11th June 1942, I have to inform you that the cases referred to in your letter under reference are being looked into.

Letter No. C. No. 8(26)-E.P./42, dated 31st August 1942, from the Central Board of Revenue, Government of India, Simla, to Chamber.

In continuation of my letter C. No. 8(26)-E.P./42, dated the 17th June 1942, I have to inform you that I have looked into the cases referred to by you and have issued necessary instructions to the Excess Profits Tax Officers for modification of liabilities already fixed.

APPENDIX 74

E.P.T. Act — Successions and Amalgamations and the Benefit of the Standard of the Predecessor

Letter No. 978, dated 1st April 1942, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

The attention of my Committee has been drawn to a defect in the provisions in Section 8(2) of the E.P.T. Act

laying down the procedure for enabling a successor to get the benefit of the predecessor in the matter of the computation of standard profits. Under the said section the successor can, by giving notice in writing within the prescribed period, exercise the rights of the predecessor in the matter of selection of standard period, etc. and thus enjoy the predecessor's basis of standard profits. The choice, however, will be available only if the notice is given within the time prescribed for the same. This emphasis on the timely notice is not to be found in the corresponding provision of the English Act. The right of election under that law can be exercised by the assessees at *any* time before the assessment is completed.

It has been pointed out to my Committee that the provision in the Indian law about notice within a time limit is causing considerable hardship as any assessee who had overlooked to give the necessary notice will not be entitled to the benefit of his predecessor's standard and consequently put to considerable loss. It is reasonable to suggest that on a technical ground of absence of timely notice the department should not deny to an assessee the benefit to which he is entitled under the scheme of arrangement in the Act.

My Committee, therefore, suggest that Section 8(2) of the Indian Act should be so amended as to make it in line with the corresponding provision in the English Act by removing the operation of a time-limit for the notice.

Letter No. D.A.Dis. No. 8(25)-E.P./42, dated 25th April 1942, from the Central Board of Revenue, Government of India, Simla, to Chamber.

In reply to your letter No. 978, dated the 1st April 1942, I am to say that in view of the instructions given to the Commissioner of Income-tax, Bombay, as indicated in my letter R.Dis. No. 8(ii)(2)-E.P./41, dated 21st February 1941, the question of amending the Excess Profits Tax Act, as suggested by you, does not arise.

APPENDIX 75

E.P.T. Act — Substituted Profits Standard

Letter No. 4107, dated 23rd December 1942, from Chamber to the Finance Department, Government of India, New Delhi.

The Millowners' Association, Bombay, have forwarded to my Committee a copy of their representation to Government, No. 138, dated 13th October 1942, on the above subject. Therein, they have pointed out that the scale of Special Profits Standard given to some of the Mills, as a result of applications made by them to the Central Board of Revenue was too low and that the matter required to be considered more sympathetically. It would appear that in the case of many applications a standard on the basis of a return of 4 per cent on the capital employed has been granted by the Board. The Millowners' Association contend that this basis is too low and that the same is not in accordance with the assurances of fair consideration given by Government at the time when the Excess Profits Tax Bill was under discussion.

My Committee are in general agreement with the case presented by the Millowners' Association, and they submit that the matter requires to be reconsidered with a view to the standard being raised on the lines indicated in the Association's representation. In this connection, they would also like to urge that whenever an application under Section 26 is made by any other industry, Government should allow a reasonably high basis of Substituted Profits Standard. Under the Act, the rate to be allowed for increase in capital is 8 per cent, and the minimum statutory percentage provided in the Act in relation to average capital employed in a business is also 8 per cent. Again, in the case of new companies, a statutory percentage of 8 or 10 per cent is allowed by the Act. The scheme of taxation embodied in the Excess Profits Tax legislation has thus recognized a return of not less than 8 per cent as a reasonable basis. This basis should, therefore, be adopted for purposes of granting Substituted Profits Standard in the case of all industries, so that the relief given is not less than 8 per cent on the capital employed.

Letter No. C. No. 13 (32)-E.P./42, dated 29th April 1943, from the Finance Department, Government of India, Simla, to Chamber.

With reference to your letter No. 4107, dated the 23rd December 1942, I am directed to say that the Government of India have given careful consideration to your proposals and that they see no reason for changing their policy or the procedure to be followed with regard to applications made to the Central Board of Revenue under Section 26(1) of the Excess Profits Tax Act, 1940.

APPENDIX 76

E.P.T. Act — Applications for Special Standards

Letter No. 4098, dated 23rd December 1942, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

I am directed by the Committee of the Indian Merchants' Chamber to address the Board in connection with the scope of the relief provided for under Section 6(3) of the E.P.T. Act. If, owing to any cause, the profits during the standard period are claimed by an assessee to have been lower than might have been reasonably expected *at the beginning of that period* he is entitled to have his case referred to the Board of Referees who can increase the standard profits upto the statutory percentage on the capital employed in the business and even higher if there was any specific cause peculiar to the business. Thus the relief contemplated will be possible only if the conditions stipulated in the section are technically fulfilled. The scope of this section, therefore, is unduly restrictive and it has been pointed out to my Committee that assessees have not been able to take advantage of the special consideration envisaged under the section because of the restrictive nature of the qualifying conditions. In this connection, it may be pointed out that the scope of the relief which the Central Board of Revenue can grant under Section 26 of the Act is much wider. Sub-section (2) of that section had detailed the circumstances which the Central Board of Revenue should take into consideration in dealing with applications for the grant of special standards.

My Committee submit that the powers of the Board of Referees and the scope of relief to be granted under Section 6(3) should be enlarged on the lines of the provisions in Section 26 so that the machinery provided in the Act for special consideration by the Board of Referees may, in practice, result in the required degree and extent of relief being granted to the applicants concerned. The general feeling among the assessees at present is that the existing scope and powers under Section 6(3) are unduly restrictive. In this connection, it may be mentioned that the powers vested in the Board of Referees under the English E.P.T. legislation (*vide* Section 26 of the U.K. Finance Act, 1940) are much wider. My Committee hope that Government will be pleased to move in the matter and take an early opportunity of amending Section 6(3) so as to incorporate therein provisions on the lines of those contained in Section 26(1). The proposed amendment, if passed into law, will confer upon the Board of Referees powers co-extensive with those conferred upon the Central Board of Revenue under Section 26(1) of the Act.

Letter No. D.A.Dis. No. 8(66)-E.P./42, dated 7th January 1943, from the Central Board of Revenue, Government of India, Simla, to Chamber.

In reply to your letter No. 4098, dated the 23rd December 1942, I am directed to say that there is no intention at present of amending Section 6(3) of Excess Profits Tax Act, 1940, with a view to conferring on Boards of Referees powers co-extensive with those conferred upon the Central Board of Revenue.

APPENDIX 77

War Risk Insurance of Factory Buildings, Plant and Machinery, etc.

Telegram dated 16th January 1942, from Chamber to the Commerce Department, Government of India, New Delhi.

Committee, Indian Merchants' Chamber, strongly suggest and request that a scheme for War Risk Insurance be instituted for factory-buildings, plants, machinery and equipment as has been done with regard to insurance of goods. The scheme should be for the period of the war, should be

voluntary upto the value of Rs. 25,000, and compulsory over that amount, rate of premium should be fixed in consultation with commercial interests and should be payable quarterly. Claims should be settled as soon after damage as possible and in any case within one year in order to enable the factories to resume work with the least possible delay. Committee also suggest a voluntary scheme of compensation should be instituted for private chattels on the lines of the scheme in the United Kingdom. Committee hope that Government will be pleased to favourably consider above suggestions.

Letter No. 45-W.R.I. (1)/42, dated 31st January 1942, from the Commerce Department, Government of India, New Delhi, to Chamber.

I am directed to refer to the Chamber's telegram of the 16th instant regarding the institution of a War Risks Insurance scheme for factory-plant, machinery, and buildings, and to say that the question of adopting such a scheme is receiving the urgent consideration of the Government of India.

As regards a voluntary scheme of compensation for private *chattels* based on the lines of the scheme in the United Kingdom, I am to say that the Government of India have examined the matter and are of the opinion that such a scheme is impracticable in the conditions obtaining in this country.

Telegram dated 6th May 1942, from Chamber to the Commerce Department, Government India, New Delhi.

Committee, Indian Merchants' Chamber have considered the War Risks (Factories) Insurance Ordinance and are of opinion it is essential that same should clarify and provide for following suggestions to which they invite earnest consideration of Government. Property insurable under Ordinance Clause II should make it clear that all stores, plant, machinery and other materials lying in factory or removed to other safe place under direction of proper authority required for construction or completion of factory must be included as property insurable. War Risks should include seizure and or capture of property by the enemy also all measures precau-

tionary, preparatory or otherwise taken under proper authority for removal of property whether involving risk or damage to property or not. Insurable value should mean full reinstatement value of buildings, machinery, equipment, etc. fixed on basis of prices current on the date of the coming into force of the Ordinance. In case of destruction due either to the application of policy of denial or scorched earth policy compensation should be paid to the extent of full hundred per cent and in all other cases such compensation should be paid to the extent of 80 per cent of the insurable value, namely, the reinstatement value referred to above payment on such basis quite essential and Committee consider principles enunciated in one and two of sub-clause (*b*) of Clause 5 in regard to payment of compensation not only highly objectionable but convinced will seriously affect financial position of factories. The rate of premium of 4 per cent proposed is unduly high and in view of 20 per cent risk carried by owners would actually work in practice as rate of 5 per cent Committee strongly urge a fair reduction in this rate. Arrangement should be made for collection of premium by easy instalments. Manner and method of settling claims and paying compensation should be clearly laid down and in any case settlement should be made within a period of not more than six months from the date of property undergoing risk and in case of longer delay for settlement Committee consider essential Government should pay interest at least at 3 per cent on amount payable under risk to the insured. Provision in Section 3, sub-section 5(*d*), empowering Government to direct reconstruction of factory elsewhere likely create several practical difficulties and Committee, therefore, strongly urge that clause should be omitted. Committee consider it quite necessary that amount of premium paid by the owner as well as amount of loss falling to the share of the owner under 20 per cent risk carried by him should be treated as items of expenditure for purpose of income-tax, super-tax and excess profits tax. Committee urge that rules to be made under Ordinance should clearly clarify and fully incorporate above suggestions by making suitable modifications and additions to scheme. Committee earnestly request commercial community should be given opportunity express their opinion on

rules before they are finally prescribed and brought into operation if extreme urgency of promulgation of rules make granting such opportunities impossible, Committee maintain in interests all concerned, least Government should do should be to consult Executive Committee, Federation, before rules are finally prescribed.

Telegram dated 27th May 1942, *from the Commerce Department, Government of India, Simla, to Chamber.*

Your telegram May 6th. War Risks (Factories) Insurance Ordinance. Rules under Ordinance were published in *Gazette Extraordinary*, 2nd May. Regret previous consultation could not be held owing to urgency. Provision already made in Rules for payment of premium in instalments. Your suggestions regarding property insurable under Ordinance cent per cent compensation for damage due to denial measures, manner and method of settling claims under active consideration. Premium payable for insurance will be treated as expenditure for income-tax purposes. We regret other suggestions cannot be accepted.

Telegram dated 27th May 1942, *from Chamber to the Commerce Department, Government of India, New Delhi.*

Reference War Risks ((Factories) Insurance, Committee, Indian Merchants' Chamber, have received strong representations that factory insurance should not be compulsorily applicable for smaller units and, therefore, urge that on the analogy of provision in goods insurance factories of the value of less than Rs. 20,000 should be exempted from compulsory obligation. Again in the case of a factory property where the owner is himself not the occupier but has leased or rented it out scheme has thrown onus of insurance on such owner and in case of failure the occupier is authorized to undertake insurance and is entitled to recover cost of same from owner. In the case of buildings leased or let out on fixed rentals above provision works as a hardship as in relation to the rent received charges for insurance press heavily on him. Moreover, as owner of the building, he is merely in the nature of a landlord on a par with owners of other ordinary immoveable properties as distinguished from factories for which there

is no such compulsory insurance. He has no interest in the factory and as such does not expect to benefit by the potential advantages and protection afforded by the insurance scheme. It is, therefore, requested that Government should re-examine the matter with a view to relieving owners who are not themselves occupiers from the compulsory obligation under the scheme. Pending clarification of these and other issues already submitted Committee request that the date of enforcement of scheme be postponed by at least a fortnight.

Telegram dated 29th May 1942, from the Commerce Department, Government of India, New Delhi, to Chamber.

Your telegram, 27th inst., War Risks (Factories) Insurance Ordinance, regret unable grant your requests.

APPENDIX 78

War Risk Insurance for Coal

Letter No. 875, dated 23rd March 1942, from Chamber to the Commerce Department, Government of India, New Delhi.

The Government of India have, by their Notification No. 15-W.R.I./40, dated 1st October 1940, issued a schedule of articles which are not insurable for the purposes of the War Risk (Goods) Insurance scheme, and as such are not intended to be covered by the provisions of the War Risk (Goods) Insurance Ordinance. Coal is one of the items included in the schedule ; the cover under the scheme therefore is not available to all kinds of coal.

Ports and industrial centres have necessarily to carry large stocks of coal for various purposes, including supply of coal for bunkering. As a matter of fact, conservation of coal with a view to avoid any possible shortage for civil and industrial requirements is very necessary as a measure of precaution during the present times of emergency. Transport shortage also makes it imperative that building of stocks of coal when facilities are available should be encouraged. Private interests, however, cannot be expected to run any great risk attendant on holding large stocks of coal. In fact, in

view of the existing nervousness created by developments connected with the war, particularly in ports and industrial centres, it is but natural that stockists would show reluctance in accumulating sufficient stocks of coal. The equity of spreading the risk and loss on account of any possible enemy action has been recognized by Government by the introduction of the War Risk Insurance scheme, and there is no reason why the protection given by the scheme should not be extended to an important article like coal. Moreover, as coal generally is stocked in the open and in port centres very near the sea, chances of damage on account of hostile action are greater.

My Committee, therefore, request that Government will be pleased to include coal within the scope of the War Risk Insurance scheme and give the cover to stocks of coal against damage or loss, as in the case of the other goods covered by the scheme.

APPENDIX 79

Seizure of Goods by Enemy and War Risk Insurance Scheme

Telegram dated 14th March 1942, from Chamber to the Department of Overseas, Government of India, New Delhi.

"Committee, Indian Merchants' Chamber, understand that Government have given a ruling to the effect that seizure of stocks and goods by enemy is not one of the risks covered by the War Risk (Goods) Insurance scheme. Committee respectfully submit that risk of loss by seizure should come within the covers issued under the scheme and that if the terms and conditions of the present contract do not provide for the same, early steps be taken to remedy this defect. In view of the prevailing nervousness on account of war developments unless such risk is included handling of goods and commodities in port towns will be jeopardised with consequent unsettlement of normal trade and business. To restore confidence suggest that early announcement be made bringing seizure of goods as an insurable risk within the War Risk Insurance scheme."

Letter No. 44-W.R.I. (16)/42, dated 15th April 1942, from the Department of Overseas, Government of India, New Delhi, to Chamber.

With reference to your telegram, dated the 3rd March 1942, I am directed to say that it has been decided that damage to goods resulting from destructive action taken by or under orders of Government in order to deny facilities to the enemy should be covered under the War Risks (Goods) Insurance scheme, and steps are being taken to amend the War Risks (Goods) Insurance Ordinance and the rules thereunder accordingly. It is not, however, possible to cover goods abandoned by owners and goods seized by the enemy as these are matters which can be settled only after the territory lost has been re-occupied.

Letter No. 2003, dated 22nd April 1942, from Chamber to the Department of Overseas, Government of India, New Delhi.

I am directed to acknowledge receipt of your letter No. 44-W.R.I.(16)/42, dated the 15th April 1942. It is presumed that the same is in reply to our telegram of the 14th March and not 3rd March as mentioned therein.

Government observe that "it is not, however, possible to cover goods abandoned by owners and goods seized by the enemy as these are matters which can be settled only after the territory lost has been re-occupied". In this connection, they would like to point out that the case of goods which are 'abandoned' by owners almost under orders or directions from Government or Military authorities requires to be further considered. It may happen that the Military or Government authorities may compel the evacuation of owners under general or special orders and such owners will have to go, leaving their goods behind. Under such circumstances, it would not be proper to deem the goods left behind as goods 'abandoned' and to deny them any protection. The position of goods seized under such circumstances should be further considered and my Committee are of the opinion that Government should compensate owners who are obliged to 'abandon' their goods under instructions issued by proper authorities.

APPENDIX 80

Town Duty Refund Rules

Letter No. T.D.-5087/S.R., dated 18th February 1942, from the Municipal Commissioner, Bombay, to Chamber.

With reference to your letter No. 1998, dated the 16th August 1941, stating that the orders issued by me regarding overlooking of certain types of discrepancies in the town duty export notes do not remove entirely the hardship caused to merchants and do not satisfy the principle of "E. & O. E.", I have the honour to state that I am not agreeable to make the principle of "E. & O. E." applicable to a document which requires a declaration to be made as at the foot of an export note ; otherwise, the object with which a scrutiny of an export note is held will be nullified and an exporter may argue, however serious an error, discrepancy or omission may be, that it is a purely clerical error which should not vitiate a claim. The writing up of an export note is a very simple matter. Therefore, if a discrepancy occurs, it is due to negligence of the person preparing the export note and in fairness he should be responsible for it. During the last year I examined all possible cases of errors, discrepancies or omissions in the export notes and after an exhaustive enquiry laid down that certain kinds of errors, discrepancies or omissions should be overlooked and refund allowed as if there were no such errors, discrepancies or omissions. For various reasons it is undesirable, in the interests of municipal revenue, to make any further relaxation or lay down a general rule that all errors, discrepancies or omissions should be overlooked on the principle of "E. & O. E."

2. As regards your statement that a person committing an error, discrepancy or omission in an export note is likely to repeat it in the other export note, though plausible, is not convincing as several cases have been noticed in which the error, discrepancy or omission occurred in one note only. In all such cases refunds were allowed, and the records maintained by the Municipality show that since the date of issue of my orders there is a fall of 41 per cent in the number of rejections of claims for refund.

3. You apprehend that with the changing departmental personnel there is a likelihood of varying interpretations of

departmental orders. There is no reason for such apprehension as all possible cases of errors, discrepancies or omissions in the documents have been considered very carefully and the orders issued have been codified. They are being included in Standing Orders and the question of their being interpreted in different ways with a change in the personnel of officers will, therefore, not arise in future.

4. The two cases of omissions cited by you appear to be unfortunate but there are special reasons for them. The incorrect declaration or omission of a motor driver's name or the number of the lorry in both the notes cannot be overlooked, as, unlike at the Railways and Docks, there are no subsidiary records at the Causeways to prove the export of goods at a later date unless the name of the driver and the number of the lorry are known. If any fraud were committed by collusion there would be no possibility of detecting it unless the correct name of the driver and the number of the lorry were known.

5. I hope it will be appreciated that in a matter which affects Municipal revenue it is not possible to overlook every error, discrepancy or omission in a document which requires a declaration to be made as in the case of the town duty export note. Otherwise there would be no point in retaining the provisions regarding the correct declaration in the Town Duty Refund Rules. In these circumstances I regret I cannot see my way to narrow down the definition of material discrepancy any further.

Letter No. 3043, *dated 20th August* 1942, *from Chamber to the Municipal Commissioner, Bombay.*

I am directed by my Committee to acknowledge receipt of your letter No. T.D. 5087/S.R. of 1941-42, dated 19th February 1942, in respect of the principle of "E. & O. E." as applicable to Town Duty Refund Rules. The principal points made out, as my Committee understand, in your letter under reference are as under :—

E. & O. E.

You seem to be of the opinion that the principle of "E. & O. E." should not be made applicable to "documents which require a declaration to be made as at the foot of an export

note" as it would be improper to give the benefit of the principle of "E. & O. E." to any discrepancy arising out of negligence in preparing export notes. As a result of your enquiry into the question you inform the Committee that only certain kinds of errors and discrepancies or omissions would be overlooked and that you are not agreeable to any further relaxation of the rule in the interests of the Municipal revenue. It is further mentioned in this connection that you would condone an error if it was committed in one note only. If the error was found in both the export notes the same would not have the benefit of the principle of "E. & O. E.". With regard to the apprehension of the Committee of the Chamber that with the change in the personnel of the Department, the interpretations of the departmental orders would also vary, you have assured the Committee that the orders issued by your Department in this connection have been duly codified. My Committee are thankful to you for the same. They would, at the same time, urge that the codified rules should be made available to the public.

In regard to your objection that it would not be possible to overlook an omission or error in a document which contains a declaration about the correctness of the contents, my Committee had dealt with the point in great detail in their letter No. 1697 of the 25th July 1940. They would reiterate that declarations are based on facts within the conscious knowledge of the declarant and no declaration can be said to cover errors or omissions or inadvertent mistakes. Furthermore, even judicial documents such as affidavits, plaints on oath, etc., which are solemnly affirmed are correctable; in the same manner statements and returns in regard to income-tax or documents relating to Customs drawback which are also subject to affirmation by a declaration are subsequently allowed to be corrected. In view of this, there should be no difficulty in providing that mistakes or omissions in the export note may be allowed to be rectified subsequently.

In respect of the two cases of omission cited by us, you admit that they are unfortunate but at the same time justify their rejection on the ground of incorrect declaration or omission of the motor driver's name or the number of the lorry in both the notes, which details, in your opinion, are neces-

sary for validating the notes, as no subsidiary records are kept at the Causeways which would help at a later date to find out whether fraud was intended. My Committee do not feel convinced that the claims for refunds should suffer rejection for reasons given as above by you, as it is the primary duty of the Municipality to register such claims only after they have been found complete in all particulars.

Upto 1931, under Rule 13(I) the Supervisor compared the exporter's documents and registered them only if they were found in order. Abrogation of the practice thereafter was highly prejudicial to the interests of those claiming refunds. Besides, from 1939 the Port Trust which kept such records at the Causeways was relieved of the responsibility by the Standing Committee of the Municipality. Under the circumstances, it was the duty of the Municipal authorities concerned to have an effective check on documents such as the export notes in respect of necessary details whereby any fraud contemplated may be traced even at a future date.

My Committee will go even further and suggest that the present practice of not verifying the documents before registration is an incentive to collusion and a possible aid to the commission of fraud. The fact that the names of the drivers and lorry numbers should go unrecorded at the initial stage pre-supposes a primary defect in the organization set up for effective control of exports and imports at the Causeways. But my Committee here is concerned with a specific complaint and regret to find the merchants being unjustifiably penalized for a responsibility which lay on the shoulders of the Municipality. Under the circumstances, my Committee suggest that such defective documents should be allowed to be corrected on payment of small amendment fee for each document ; the fee being commensurate with the amounts of the claims, which, in many cases, are all small amounts. Such a procedure is followed in case of drawbacks of the Customs duty.

It may be suggested that in cases where subsidiary records were available at the Railways and at the Docks, refunds which might have been held back for reasons of omissions and obvious errors in the export notes should be paid.

From the foregoing it would appear that the disallowance of refunds is not solely due to the negligence in preparing the export notes, but it is also due to the absence of subsidiary records at the Causeways and the practice of registering claims without the verification of the completeness of such notes. The benefit of the principle of "E. & O.E." can certainly be given in all circumstances. The principle cannot be applied in parts. It must be entire and applied entirely.

Condoning of errors in certain cases and if such errors were found in one copy of the export note only gives an impression of arbitrary handling of the matter. Such practice is opposed to the principle of "E. & O.E." which has been accepted all over the world as a method of adjusting and settling transactions which were incomplete as a result of some omission or discrepancy. The attitude of the Municipality on this very vital application of a generally accepted principle should be revised and due relief should be granted in case of refunds legitimately due, which are held back as a result of unconscious errors and not wilful default which implied fraud. Justice cannot be withheld from the merchants on the plea that the Municipal revenues would suffer under the general application of the principle of "E. & O.E." Municipal revenues are collected under the authority of regulated law and any Municipal revenue collected as a result of evasion of responsibility by registering incomplete claims is not fair and equitable.

My Committee feel that the specific complaint in regard to the application of the principle of "E. & O.E." in respect of the export notes deserves to be seriously reconsidered and accepted and equally applied to all inadvertent errors and all documents alike by the Municipality.

Letter No. T.D.-5087/S.R., dated 30th November 1942, from the Municipal Commissioner, Bombay, to Chamber.

With reference to your letter No. 3043, dated the 20th August 1942, on the subject noted above, I have the honour to state that the question regarding material discrepancies in the town duty export documents was dealt with in my letter No. T.D./5087/S.R., dated the 18th February 1942, and there

is little that could be usefully added to what was stated therein. The orders issued by me have already resulted in reducing appreciably the number of rejections of claims for refund.

In your letter under reference you seem to suggest that each and every kind of omission or discrepancy even in both copies of the export notes should be overlooked by giving the exporters the benefit of the principle of "E. & O.E.". In this connection it may be stated that the orders issued by me contain provisions for overlooking certain kinds of omissions or discrepancies, even though they may be found in both the export notes, while in the remaining cases there are instructions that the discrepancy occurring in any one copy of the export notes should be ignored. After all, the writing up of an export note is a very simple matter, and with ordinary care, no discrepancy should occur therein.

You further contend that it is the duty of the Municipality to register the claims only after they have been found complete in all particulars. Perhaps you are referring to the export notes which the exporters present to the Municipal Inspector along with the goods to be exported. But this proposition is impracticable because it is not possible for the Inspectors to scrutinize all the details of the export note while they are engaged in the examination of the goods. Moreover, it would not be just to hold the Municipality responsible for the carelessness of the exporters.

Lastly as regards your suggestion that the exporters might be allowed to supply the omission or correct any discrepancy in the export note on the analogy of the Customs Drawback Shipping Bills, irrespective of payment of fees, it cannot be accepted. It is the responsibility of an exporter to make a correct declaration and if he were to be allowed to make any corrections subsequently there would be no point in retaining the provisions regarding correct declaration in the Town Duty Refund Rules. Besides, in the case of Customs drawback, the Customs Shipping Bill is of secondary importance, the identity of the exports being established on the testimony of import bills, whereas in the case of town duty refund, the export note is the sole criterion for establishing the identity of goods.

A very lenient view has already been taken of the discrepancies in the Town Duty documents and I regret I cannot see my way to relax further the orders already passed by me (copy enclosed) in this behalf.

Summary of the orders passed by the Municipal Commissioner regarding discrepancies in Town Duty Export notes

Nature of discrepancy	Order
1. Number of packages ...	
2. Name of importing vessel	
3. Name of exporting vessel...	
4. Name of Commander ...	Any discrepancy or omission occurring in the original as well as duplicate copy of the export note should be ignored.
5. Chief Officer's signature ...	
6. Customs export shipping bill number ...	
7. Particulars in Customs export shipping bill ...	
8. Marks and countermarks ...	
9. Description of the goods ...	Any discrepancy or omission occurring either in the original or duplicate copy of the export note but not in both copies thereof should be ignored.
10. Destination ...	
11. Name of consignee ...	
12. Exporter's signature ...	
13. Omission of weight ...	
14. Motor vehicle number ...	
15. Valuation in case of timber	
16. Motor Driver's name ...	Any omission or discrepancy occurring either in the original copy or duplicate copy of the export note should be ignored if satisfactory explanation is given for it.
17. Refund on lowest weight in application ...	Refund should be allowed on correct weight overlooking the weight in application.
18. Amount of refund ...	Correct amount should be allowed though a smaller amount may be claimed.
19. Bringing of goods before registration of the export note	Claim should be rejected. If there are exceptional circumstances, the case should be submitted for Municipal Commissioner's orders.
20. Difference in weight ...	Claim should be rejected if the difference is over 10%.
21. Lodging of claims after the specified period ...	Claim should be rejected.
22. Amount of refund less than Rs. 5 ...	Claim should be rejected.

Letter No. 163, *dated* 16*th January* 1943, *from Chamber to the Municipal Commissioner, Bombay.*

I am directed by my Committee to acknowledge receipt of your letter No. T.D.-5087/S.R., dated the 30th November 1942, on the above subject and to say that the observations made therein have received their careful consideration.

In the first instance, I am desired by my Committee to convey to you their thanks for the orders issued by you regarding consideration to be shown on certain occasions of discrepancies appearing in the Town Duty Export Notes. My Committee are further glad to note that the said orders have resulted in reducing appreciably the number of rejections of claims for refunds. They will watch with interest the result of the experience of the working of these orders and if any occasion presents itself, address you again in the matter of further relaxation.

While they acknowledge the concessions made by the orders to which you refer, they must, at the same time, point out that, after all, a principle is a principle and it cannot be given effect to in parts. Exception of errors and omissions is an acknowledged practice in all matters relating to adjustment of accounts and there is no reason why, for the purpose of the administration of the rules relating to Town Duty refund, the principle should not be adhered to in its entirety. You observe that the writing of an export note is a very simple matter and with ordinary care no discrepancy should occur therein. It is pertinent, in this connection, to point out that the making out of any bill, notice, schedule or other documents connected with assessment by the officers or the clerks of the Municipality should be an equally simple matter and yet under Section 525 of the Municipal Act, any informality, clerical error, omission or other defect in any such documents are specifically excepted. Such a safeguard is always reasonable and necessary as the possibility of human inadvertence is alike to merchants as well as officials.

With reference to the observations in paragraph three of your letter, my Committee are informed that under the existing arrangements, as required by the rules, a register is maintained at the different export outposts wherein all the

particulars on the export notes are entered and mistakes, if any, are noted in the remarks column separately provided for in the register. A report of such mistakes, if any, goes to the Town Duty Officer in due course. The existing procedure, therefore, provides for a complete scrutiny of all the details of the export note and, therefore, my Committee feel there is nothing impracticable in their suggestion that the claims should be registered only after they have been complete in all particulars.

My Committee regret that you are unable to accept their suggestion that exporters be allowed to rectify mistakes or supply the omissions in the export notes because of the declaration at the bottom. They have already pointed out to you that declarations do not comprehend errors or omissions or inadvertent mistakes. Such mistakes are always allowed to be corrected and even in the case of juridical documents like affidavits and plaints, declared on oath, as also in parallel documents like Customs Drawback Bills and Income-tax Returns, particulars submitted on the basis of a declaration are allowed to be corrected, in cases of *bona fide* mistakes.

In the last sentence of the penultimate paragraph of your letter you refer to the fact that the establishment of the identity of the exports in the Customs is facilitated by the testimony of Import Bills. My Committee believe that you are referring to the Bill of Entry for consumption as it is known in Customs nomenclature. It may, however, be pointed out that a duplicate of this very Entry Bill must accompany Form "A" of the Town Duty Refund Forms under Rule 5. On Form "A" particulars relating to the Customs Import Entry are recorded. The same Form "A" is again checked by the cashier levying duty and entered into a register kept for the purpose which is again checked by the First Officer. Then again the Stamping Officer of the Municipality puts stamps, provided, from time to time, by the Municipal Commissioner under Clause I of Rule 35, and gives them a permanent location in a memo book, specially maintained for the purpose. This book is always available for verification and the marks are recorded on the Export Bill, a copy of which goes to the Town Duty Officer. The identification of the Municipal marks on the packages verified

with the marks noted on the Export Bill must be accepted as sufficient testimony for identification of the goods exported having paid Town Duty on their import.

My Committee further point out that the Form "B" acknowledging receipt of Town Duty, has to be annexed to the application for refund. On the reverse of Form "C" the Supervisor, the Weighing Clerk and the Municipal Export Inspector, all check and certify to identity of the goods. Such proofs for the identification of the goods that they are Town Duty paid goods and the refund is claimed for the duty already paid, are ample and to our belief sufficient. Further, even the initial Bill of Entry for consumption is on record with your agents, the Port Trust, to which ultimate recourse could be had and is available to the Municipal authorities. At any rate, any defect or deficiency in the existing procedure can be remedied or made good by departmental orders and it is not fair to advance such defects or deficiency as a ground for rejecting a claim which is legitimately due.

My Committee, therefore, trust that our request for the rights of the merchants is in no way unreasonable. In the light of the above explanations, my Committee venture to suggest that the question requires to be reconsidered with a view to the practice of excepting errors and omissions being fully adhered to so that the long-standing grievances of unfair rejections of refunds for ever be abated.

APPENDIX 81

Insurance of Export Cargo and Transhipment en route

Letter No. 388, *dated 9th February* 1942, *from Chamber to the Indian Insurance Companies' Association, and Bombay Fire Insurance Association, Bombay.*

The attention of my Committee has been drawn to the difficulties caused to the export trade by the non-availability of insurance cover beyond a period of 14 days after transhipment *en route* at an overseas port. Goods shipped are likely to be transhipped or detained at an overseas port *en route* for a longer period and under the existing terms of the poli-

cies issued by Insurance Companies the insurance cover does not extend to the period of detention after 15 days with the result that on such occasions the cargo in question goes without an insurance cover.

In this connection, my Committee have also seen a notification recently issued by the Exchange Banks' Association under which it is required that all cargo hypothecated to banks should be covered against transhipment without limitation of period. This action of the Exchange Banks' Association makes it imperative that the insurance cover now issued be without any limitation in regard to period ; as otherwise the relevant documents would not be negotiated by the Exchange Banks with the result that export trade would be made difficult, if not impossible.

In view of the above circumstances, I am desired by my Committee to request your Association to consider this matter and to make arrangements at an early date, for the issue of full insurance cover which would include transhipment without any limitation of period.

Letter No. 451/11, *dated* 18*th February* 1942, *from the Bombay Underwriters' Association, Bombay, to Chamber.*

I refer to your letter No. 388, dated 9th instant and am directed to inform you that the full cover to which you refer is not available anywhere in the world and the matter is, therefore, not one which can be considered locally.

Letter No. 619, *dated* 27*th February* 1942, *from Chamber to the Exchange Banks' Association, Bombay.*

The attention of my Committee was drawn to a notification issued by the Bombay Exchange Banks' Association under which it is required that all cargo hypothecated to banks should be covered against transhipment without limitation of period. As such cover is, at present, not issued by the Insurance Companies, my Committee had addressed the Bombay Underwriters' Association requesting that their members should make early arrangements for the issue of full insurance cover which would include transhipment without any limitation of period. The Association has, in reply, informed my Committee that full cover of the nature contem-

plated was not available anywhere in the world and that the matter was, therefore, not one which could be considered locally. I am sending to you herebelow a copy of the reply received from the Bombay Underwriters' Association :

"War, Strikes, Riot and C. C. Tariff, Transhipment

(No. 451/11, dated 18th February 1942)

"I refer to your letter No. 388, dated 9th instant and am directed to inform you that the full cover to which you refer is not available anywhere in the world and the matter is, therefore, not one which can be considered locally."

In view of this, you will appreciate that your requirement in terms of the notification under reference cannot be fulfilled. It is, therefore, hoped that your Association will be pleased to reconsider the matter in the light of the above information.

Letter dated 13th March 1942, from the Chairman, Exchange Banks' Association, Bombay, to Chamber.

Following up my letter of 27th ultimo, I attach hereto a copy of my letter of date to the Secretary, the Bombay Underwriters' Association :

The Secretary,
The Bombay Underwriters' Association,
Jacob Sassoon Bldg., 6 Rampart Row, Fort, Bombay.

British Government War Risks Insurance Office

Dear Sir,

Following up my letter of 14th ultimo, I have to advise that I have today received the following telegrams from my Head Office :

Dated 11th instant :

"Joint telegram Chartered, Eastern, Hongkong, Lloyds, Mercantile, National advise India, Burma, Ceylon, Branches :—

(i) all shipments to United Kingdom under outstanding Unconfirmed Credits also known as Letters of Authority, Letters of Advice or Agreements must be covered against unlimited transhipment risk ;

(ii) all shipments to United Kingdom not under approved Banks or Accepting Houses Confirmed Credits must be similarly covered irrespective of standing of drawers ; and

(iii) shipments for Ministry Supply or Food where Government attend to Insurance on this side need not be similarly covered."

Dated 12th instant:

"Our joint telegram eleventh paragraph one where insurance this side unlimited transhipment risk covered here."

From this you will observe that shipments to and from the United Kingdom must be covered for an unlimited transhipment period.

Our rule regarding unlimited transhipment insurance to other destinations is in abeyance as I understand this is still unobtainable.

Letter No. 915, *dated 25th March* 1942, *from Chamber to the Bombay Underwriters' Association, Bombay.*

With further reference to the correspondence ending with your letter No. 451/11 of the 18th February, the Chairman of the Exchange Banks' Association, Bombay, has sent to my Committee a copy of his letter to you dated the 13th March 1942, bearing on this subject. My Committee would like to be advised as to what action your Association proposes to take in the light of the information contained therein.

APPENDIX 82

Payment of War Risks Claims in India*

Letter No. 2188, *dated 15th May* 1942, *from Chamber to Commerce Department, Government of India, New Delhi.*

I am directed to refer to the correspondence between my Committee and Government on the above subject ending

* For previous correspondence see Report, 1941, p. 356.

with your letter No. 7-C(5)/41 dated 10th March 1942. My Committee had represented that arrangements should be made for the settlement in India of claims that might arise in respect of war risk covers and that the present practice of having to submit claim papers to the authorities in London and receiving payments there was highly inconvenient. Government in reply had pointed out that the settlement of all claims for goods shipped from the United Kingdom to countries abroad were payable in London and in no case at destination and that as the said procedure had been found to work smoothly, it was not intended to make any change.

My Committee have again received representations from their members pointing out that the present procedure leaves much to be desired. In these days there is considerable uncertainty about post sent by the sea route reaching safely at the destination and there is, therefore, no guarantee about documents and claim papers posted in the ordinary course reaching the destination in time. The parties concerned will in case of loss come to know about it only after a considerable time has elapsed with the result that there will be undue and avoidable delay in settling the claims, causing thereby considerable inconvenience and worry to the claimants concerned.

Many of the insurance companies which are authorised to issue war risk insurance have branches in this country and there is no reason why arrangements should not be made for the receipt by such branches of the claim papers and the supporting documents. The branches thereafter could intimate by cable to their Head Office the receipt of the claim and the papers thereby saving even the trouble of having to send over such documents to London. The branches could also, in due course, advise the insured about the passing of the claim by the Head Office and arrange to make payments here on their behalf.

My Committee request that Government will be pleased to further consider this matter and to bring about changes in the procedure on the lines indicated above.

APPENDIX 83

Repeal of the Sugar Industry Protection Act, 1932

Letter No. 30-L., dated 18th June 1942, from General Department, Government of Bombay, to Chamber.

I am directed to forward herewith* a copy of Government Resolution, General Department, No. 30 of today's date, on the subject mentioned above, and to request that you will be so good as to communicate to Government by 15th July 1942 any observations (which may kindly be sent in *triplicate*) which your Chamber may have to make in respect of the proposed repeal of the Bill referred to in the Government Resolution.

Letter No. 2589, dated 6th July 1942, from Chamber to General Department, Government of Bombay.

I am directed to acknowledge the receipt of your letter of the 18th June 1942, No. 30-L., giving cover to the Bill to repeal the Sugar Industry Protection Act, 1932, and annexures. My Committee have carefully considered this question and are definitely and emphatically of opinion that the Bill which Dr. Sir Ziauddin Ahmed has introduced in the Indian Legislative Assembly is reactionary and retrograde and it will be a great blow to the sugar industry if it is passed. It was a mistaken policy of the Hon'ble Member to have introduced such a Bill at a time when the sugar industry, after having established itself in the country and having seen a small period of prosperity, is threatened with a crisis. The history of the sugar industry is well known. A large number of sugar concerns met an untimely death in the past because of the want of protection. It was a tragedy that India, which was the home of sugarcane, should have been practically made to depend upon foreign countries, like Java and Hungary, for her sugar requirements. From times immemorial, India has produced sugarcane and her vast population has considered *gur* as one of its essential articles of food. The imports of sugar from foreign sources were tremendous, having risen to the dizzy heights of 932,000 tons in the year 1929-30.

* Not printed.

Unfortunately, Government did not sympathetically consider the cry for protection till 1930, when they appointed a Tariff Board to consider the whole situation and submit a detailed report. The suggestions of the first Tariff Board were for a levy of a Protective Duty of Rs. 7-4 per cwt. for a period of seven years, which was afterwards to be reduced to Rs. 6-4 per cwt. for the next seven years. The suggestions were accepted by Government and came into force in 1932. The Customs surcharge of 25% imposed in 1931 increased the quantum of protection but this was neutralized in 1934 by the levy of an Excise duty. In 1937, the Excise duty was increased to Rs. 3, the import duty also being increased by the same amount. The question was again examined in 1938, when the Tariff Board recommended that the protection required was of Rs. 7-4 per cwt. or Rs. 5-5 per maund. These recommendations were not accepted by Government in their entirety. The present rate of Protective Duty is Rs. 6-12 per cwt., in addition to the Excise duty of Rs. 3, i.e. Rs. 9-12 per cwt.

These measures of protection enabled the sugar industry to stand on its own legs, and the result was at once seen in a large number of factories being started all over the country, producing sugar to the extent of over 1,200,000 tons in the year 1939-40. The factories in the Deccan have their own sugarcane plantations, but factories in the U.P. and Bihar depend upon sugarcane produced by agriculturists. Fixed prices were laid down time after time for sugarcane supplied to the factories in order to obviate the danger of any exploitation on the part of sugar manufacturers. It is wrong to say, as Dr. Sir Ziauddin Ahmed has said, that there was an excessive amount of exploitation on the part of sugar manufacturers. It might have been so in perhaps a few cases, but on the whole, the agriculturists did benefit from the prices fixed for sugarcane by the U.P. and Bihar Governments. The argument that the sugar manufacturers are profiteering and that even if there had been no protection the country would not have suffered adversely, is extremely misleading. It was the protection which enabled the sugar industry to stand on its own legs and even now, though the difference in prices between foreign sugar and indigenous sugar is large, if protection is

taken away, foreign countries will be enabled to dump sugar again. My Committee realise that during the war-time on account of the particular exigencies of the situation foreign manufacturers are out of the field, but they apprehend, and their apprehension is justified, that as soon as the war is over, foreign manufacturers will be again in a position to dump their stuff on the country, if the indigenous industry is not supported and protected by a special legislation. Sugar has now become one of the key industries of the country, and it would be extremely suicidal to repeal the Sugar Industries Protection Act under the mistaken notion that it was not beneficial to the country.

Under the circumstances, my Committee are strongly opposed to the Bill of Dr. Sir Ziauddin Ahmed, and hope that it will not be supported by the Indian Legislature.

APPENDIX 84

International Tea Control Scheme

Letter No. 612/33/23798-D., dated 28th August 1942, from Finance Department, Government of India, to Chamber.

I am directed to say that the Government of India have under their consideration the question of the continuation of the Indian Tea Control Act after the 31st March 1943. As you may be aware, the Indian Tea Control Act, 1938 (VIII of 1938), implements the International Tea Agreement which is an Agreement between the tea producers of the following countries, namely India, Ceylon, and the Netherlands East Indies. The British East African territories of Kenya, Uganda, Tanganyka and Nyasaland subsequently participated in that Agreement.

2. The International Tea Committee, London, have recommended to the Government of India that the existing International Tea Agreement should be continued for the duration of hostilities and for two clear quota years after the termination of hostilities, in its existing form but that the participating countries may propose such modifications as may be necessary to convert the Producers' agreement into

an Inter-Governmental one before the expiry of the extended period.

3. The Indian Tea Association to whom the question was first referred to by the Government of India in order to elicit the opinion of the tea industry in this country has reported that the majority of the Indian Tea Industry are in favour of continuance of Indian Tea Control Act with any amendments which may be deemed essential in the light of its working. Before however a final decision is reached in the matter, Government would be glad to be furnished with the observations of your Chamber on those proposals as well as any particular suggestions it may wish to offer.

4. Your reply may kindly be forwarded to this Department not later than the 20th September 1942.

Letter No. 3192, *dated 9th September* 1942, *from Chamber to Finance Department, Government of Bombay.*

I am directed to acknowledge receipt of your letter No. 612/33/23798-D, dated the 28th August 1942, on the above subject and to state that my Committee are opposed to the continuation of the International Tea Control Scheme after 31st March 1943.

APPENDIX 85

Draft Trade Mark Rules

Letter No. 999, *dated 2nd April* 1942, *from Chamber to Commerce Department, Government of India, New Delhi.*

I am directed by my Committee to refer to Government Notification No. 405-Ind.(1)/40, dated the 21st February 1942, publishing draft of certain rules to be framed under the Trade Marks Act. My Committee have gone through the same and have the following suggestions to make :—

Scale of fees. Under the First Schedule, varying rates of fees are prescribed for the different purposes. As the Trade Marks Act is coming into operation for the first time, my Committee had, at the time the relevant measure was before the Legislature, suggested that the fees prescribed should

be as low as possible. They find that in many cases the fees prescribed for applications to register Trade Marks amount to Rs. 10. In their opinion, this rate is rather high. They suggest that the rate of fees for applications should not in any case be more than Rs. 5.

Trade Marks Journal. It is not made clear in the rules as to where the Trade Marks Journal is proposed to be published. If, however, the main journal is to be published from Calcutta, my Committee strongly support the suggestion made by the Bombay Millowners' Association that a separate journal for textile trade marks be published in Bombay. Having regard to the fact that a substantial portion of the work connected with textile trade marks is expected to be done in the Bombay area, the suggestion is made as a matter of administrative and general convenience.

Rule 115 and Schedule 7. The schedule prescribes the list of Associations for representation on the Advisory Committee to advise on matters connected with textile trade marks. Unfortunately, the name of this Chamber is not among the Associations proposed for the purpose. My Committee had sent a telegram of protest to the Hon'ble the Commerce Member and they have now been assured in reply by the Hon'ble Member that the "Trade Marks Rules will be amended to include the Chamber". In view of this assurance, they do not wish to further comment on the arrangements made under this rule.

Rules 119 and 126. These rules relate to the procedure in connection with the meetings of the Advisory Committee. My Committee are in general agreement with the suggestions made in this connection by the Bombay Millowners' Association, more particularly, to the effect that the venue of the meetings should be a matter for decision by the Advisory Committee, that the Advisory Committee should be free to manage their own affairs without interference from the Registrar and that the Registrar should only be concerned with receiving the considered views of the Advisory Committee on matters or points that may be referred to them. In short, the Advisory Committee should be deemed to be a self-contained body and should not be supposed to work,

either on the administrative or any other side, under the guidance and direction of the Registrar.

My Committee hope that their above suggestions will be favourably considered by Government.

They also wish to add a line to reiterate their protest against the short time allowed for the consideration of the rules.

APPENDIX 86

Holidays with Pay

Letter No. 3895, *dated* 19*th May* 1942, *from Commissioner of Labour, Government of Bombay, to Chamber.*

I am directed to forward* herewith a copy of the Government of India, Department of Labour, letter No. L. 3079, dated 7th May 1942, on the above subject together with its enclosure and to request you to let me have the views of your Chamber generally on the proposals in the bill or specifically on individual clauses thereof together with suggestions for modifications, if any. The members of your Chamber are not being separately addressed.

2. I shall be glad if you will kindly arrange to send your reply by 1st July 1942.

Letter No. 2588, *dated* 6*th July* 1942, *from Chamber to Commissioner of Labour, Government of Bombay.*

I am directed to refer to your letter No. 3895, dated the 19th May 1942, on the above subject and in reply to send to you hereby the views of my Committee on the proposals contained therein.

2. My Committee would like, at the outset, to make some observations which are of general application in connection with all labour legislation. In their opinion, in the first place, the present emergent times are not at all suitable for enacting measures designed to ameliorate the working conditions of the labourers and to secure to them increased amenities. As they had occasion to remark recently in con-

* Not printed.

nection with a similar other reference, conditions obtaining during war are of an abnormal character and measures which are more or less of a permanent nature should be discussed and considered in normal times with reference to the conditions of the industries concerned in such times. They, therefore, reiterate their objection to the consideration of such questions during the present times and submit that the matter should be held over till normal conditions are restored.

3. They are also opposed to the procedure of piecemeal legislation in regard to labour matters as by adopting such a course the employers are at a disadvantage in that they will not be in a position to know the extent of the collective burden they would ultimately be called upon to bear on account of all such schemes and measures. The more practicable procedure would be to consider together all proposals regarding social and labour legislation so that the employers would have a definite idea of the total cost on account of such measures. It will be appreciated that by such piecemeal legislation it is not possible to correlate the burden sought to be imposed on the industry to the ability of the industry to bear the same.

4. The reference under discussion and certain other references arose out of the recommendations of the Third Labour Ministers' Conference. In this connection my Committee wish to point out that the report of the said Conference has not yet been published. In fairness to the interests consulted, they wish to point out that it would have been more appropriate if the views were invited after the report in question was published. My Committee hope that Government will bear this point in mind for the future and that where proposals emanate as a result of previous discussion at such conferences, the proceedings of the conferences should be made available beforehand so as to enable industrialists to consider the proposals in the light of the recommendations made at the Conference.

5. Coming to the specific issue of legislation to provide paid holidays for industrial workers, my Committee have carefully considered the draft Bill circulated by Government. In this connection, they would like to make a brief reference

to the history of the question. Both in the years 1935 and 1937 the views of the commercial and industrial interests were invited by Government on the desirability of making statutory provision for paid holidays for industrial workers. My Committee had on both the occasions expressed themselves against any such requirement and pointed out the difficulties which industries were likely to experience if such a legislation was passed. I am desired to send to you hereby copies of the views then expressed by my Committee, for ready reference, and to add that they still adhere to those views.

6. They would further like to recall that the Government of India themselves were of the opinion in the year 1937, when the International Convention on this subject was under discussion, that enforcement by statute of a general system of holidays in this country would meet with great difficulties. The following extract from a communication addressed by Government to the International Labour Office, in conveying the inability of India to ratify the Convention, sets forth clearly the official as well as the public view regarding the impracticability of the system of paid holidays in this country :

"The Government of India believe that the principle is sound, but every sound principle of labour welfare is not capable of satisfactory general enforcement by legislative enactment. In the present case, any attempt to enforce a general system in India would meet with grave difficulties. Much of the labour employed in industry is drawn from and maintains contact with villages at long distances from industrial centres and a holiday would be of little value to the workers unless it made it possible for them to revisit their villages. But few could afford to make such a journey every year. Again holidays would lose much of their value for the worker unless they could be taken at a time when on account of family events or other circumstances—such as harvest work, he desired it, and for a period varying with his needs at the time. The systems in force in State establishments are nearly all elastic in the sense that holidays can be allowed to accumulate for a period of years and taken in substantial blocks. A system of this kind can be worked by mutual arrangement between the employer and the employee, but could hardly

be enforced "by law in any large number of establishments without extensive administrative machinery, whose cost might be disproportionate to the benefits received. Any legal system would have to be of an experimental nature, and could only be applied on a limited scale for some time to come."

7. Again, in January 1937 Sir Frank Noyce, the then Member for Industries and Labour, in moving a resolution in the Central Legislative Assembly recommending the non-ratification of the draft Convention relating to holidays with pay, observed as under :—

"I can only repeat that like a number of conclusions of the International Labour Conference, the draft Convention views the subject much too exclusively in the light of Western conditions. In this country, I doubt, if many of our factory workers would greatly appreciate a six or even a ten days' annual holiday—particularly if the pay they got then represented a reduction from their wages throughout the year, as it certainly would in many cases. They will probably tell you that they would prefer longer spells away to enable them to go back to their villages, even if they did not get pay for the period. It is not only we oppose the Convention, even Great Britain and Japan too reject it."

8. As far as my Committee can see nothing has happened during the interval which would justify a change in the attitude of Government, as is evinced by the proposals formulated in the Bill.

9. My Committee are strongly opposed to the provisions of the Bill and hope that Government will not proceed with the same, particularly at this juncture.

Copy of letter No. 1600, *dated* 26*th June* 1935, *from the Secretary, Indian Merchants' Chamber, Bombay, to the Commissioner of Labour, Bombay.*

"I am directed by the Committee of this Chamber to acknowledge receipt of your letter No. 1286, dated the 26th April 1935, regarding holidays with pay and to submit their views on the same as under :—

My Committee have considered the question of holidays with pay and are of opinion that the introduction of this

system in India is going to be difficult, because many of the labourers are daily workers. The difficulty will arise not merely on the ground that it would be a burden which Indian industries, which are struggling, cannot bear, but also for other reasons.

It may be pointed out that there are more stop-days in the year in India than in any other country in the world, because of political, sectional and religious holidays which are generally recognized. There is also the question of piece-workers and time-workers. The number of time-workers is comparatively small taking industry as a whole, and the question of adjusting paid holidays for piece-workers is difficult, if not impossible.

The continuous employment which exists in Europe, where the workman lives in place where he works and has his family in the same place, also does not exist in India. In any industrial centre in India, the percentage of absentees during certain seasons is very heavy, and many employees take a trip to their native villages once in a year or once in two or three years.

The labour force is in a great flux, and does not seek and receive employment at the same place on its return. The obligation on a particular employer, therefore, if it is imposed by Law, would be difficult to discharge, as many of the workmen would not be in continuous or long employment. It might induce some employers also to deliberately secure break of employment in order to evade such an obligation.

The increased amenities to labour in this form have tended in certain cases to reductions in substantive wages, and in a country where Trade Unionism is yet in its infancy and where the question of regulation of ordinary wages is also not yet properly attended an elaborate provision for holidays paid for by the employer seems to my Committee too premature and likely, in practice, to be frustrated. If the object for which this is being introduced could not be achieved, it would seem unwise to raise the issue at the present stage until every workman in India belongs to Trade Unions run on proper and recognized lines.

My Committee, however, in this connection concur with the Recommendation No. 4 of the Royal Commission on Labour, which reads as follows :—

> "Workers should be encouraged to apply for definite periods of leave and should go with a promise that on their return at the proper time they will be able to resume work."

In any case, it does not appear proper that measures of this kind should be adopted in India until they are adopted in all countries with which Indian industries are at present competing."

Copy of letter No. 2178, dated 11th August 1937, from the Secretary, Indian Merchants' Chamber, Bombay, to the Commissioner of Labour, Bombay.

"I am directed by my Committee to refer to your letter No. 1743, dated the 1st July 1937, and to send to you hereby their views on the above question.

In the year 1935 they had, in reply to your letter No. 1286, dated 26th April 1935, pointed out that the question of holidays with pay was very difficult so far as India was concerned and that India should not adopt measures of the kind until they are adopted in all countries the products of which are in competition with Indian industries. A copy of the said reply is sent herewith for your ready reference. My Committee reiterate those views and are glad to note that the Government of India do not propose to ratify the Convention.

Regarding the case of workers who by exemptions granted under Section 44 of the Indian Factories Act are deprived of the benefits of the weekly day of rest, my Committee are of opinion that the provisions of the said section regulating conditions under which such exemptions are fair and beyond those provisions they do not see the need for any further statutory provision for the grant of holidays with pay."

APPENDIX 87

Amendment of the Workmen's Compensation Act

Letter No. L.O. 3997, dated 20th May 1942, from Commissioner of Labour, Government of Bombay, to Chamber.

I am directed to forward* herewith a copy of the Government of India, Department of Labour, letter No. L.-3062, dated 21st April 1942, on the above subject together with its enclosure and to request you to let me have the views of your Chamber generally on the proposals in the bill or specifically on individual clauses thereof together with suggestions for modifications, if any. The members of your Chamber are not being separately addressed.

2. I shall be glad if you will kindly arrange to send your reply by 1st July 1942.

Letter No. 2885, dated 1st August 1942, from Chamber to Commissioner of Labour, Government of Bombay.

I am directed to refer to your letter No. L.O. 3997 of the 20th May 1942, on the above subject and in reply to send to you hereby the views of my Committee on the proposal to amend the Workmen's Compensation Act.

My Committee have no comments to make on the amendment to Section 5 as they consider the same to be in the nature of a clarification in regard to the method of calculating the monthly wages for temporary workers.

Regarding the main amendment, viz. amendment to Section 8, it is sought to introduce a proviso whereby the dependents of a deceased worker would be entitled to receive not less than two-thirds the amounts prescribed as compensation for death irrespective of the payments which the worker himself might have received when he was alive. My Committee have examined the effect of this amendment and they feel that the proposed change would involve substantial additional payments by the employers on certain occasions. They are, therefore, opposed to the same.

* Not printed.

They, however, realise that some consideration will have to be shown to dependents on occasions where large payments had already been made by the employers to the workman himself. They are, therefore, agreeable to the modification of the existing provisions of the Act on the lines of the suggestions made by the Bombay Millowners' Association in their letter No. 133 of 7th July 1942 to the effect that the compensation payable to the dependents in the event of death of the worker should be limited to Rs. 300 or the difference between the amount payable for death under the Act and the amount actually paid to the worker during his life-time, whichever was higher.

APPENDIX 88

Provident Fund for Industrial Workers

Letter No. L.O. 2431, dated 1st April 1942, from Labour Commissioner, Government of Bombay, to Chamber.

I have the honour to state that provident fund for industrial workers was one of the subjects discussed at the Third Conference of Labour Ministers held in Delhi in January last. I am now directed by Government to bring to your notice the conclusions reached by the Conference on the subject. I am accordingly to enclose herewith an extract from a letter from the Government of India to the Provincial Government setting out the views of the Conference on the subject and to request you to kindly communicate your views thereon to this office at an early date.

Extract from a letter from the Government of India to the Government of Bombay dated 4th March 1942.

I am directed to address you on the subject of provident fund for industrial workers which was one of the questions discussed at the recent Conference of Labour Ministers. It was generally recognized that provident fund schemes have many advantages as, apart from their humanitarian aspect of making available to the industrial workers something to fall back upon in old age and at times of sickness, such schemes tend to strengthen the bond between workers and employers

and makes the labour force more contented and stable. The general opinion at the Conference, however, was that it was not possible to make the introduction of provident fund schemes compulsory, and that the most that can be done is to recommend to the interests concerned the adoption of such schemes. It was also suggested that it would be useful if the Government of India framed a set of model rules.

2. The main principles as envisaged by the Conference, which provident fund schemes should provide were apparently :—

(i) that any fund should be constituted by the joint contributions of the employer and the employee, which should be equal ;

(ii) that employees with at least one year's continuous service only may be eligible to subscribe ;

(iii) that the worker should be liable to lose the employer's share of the contributions, if he is dismissed for any act of misconduct on his part ; or to lose such share in part or in whole if he resigns within a short period of joining the fund ;

(iv) that withdrawals from the fund should be subjected to strict control ;

(v) that the fund should be invested in some form of Government securities and, in any case, outside the particular undertaking.

Letter No. 2162, *dated* 12*th May* 1942, *from Chamber to Labour Commissioner, Government of Bombay.*

I am directed to refer to your letter No. L.O. 2431, dated the 1st April 1942, on the above subject and in reply to send to you hereby the views of my Committee on the proposals therein.

At the outset, my Committee would like to make certain observations of a general character bearing on the question of labour legislation as a whole. In their opinion, the present times are not at all suitable for initiating and bringing into force social and labour legislation for the amelioration of the conditions of the working classes. Conditions obtaining

during war if they may say so, are of an abnormal character and measures which are more or less of a permanent nature should be discussed and considered in normal times with reference to the conditions of the industries concerned in such times. My Committee, therefore, strongly feel that the proper time for the discussion of such matters would be after the termination of the war when normal conditions would have been restored.

My Committee are also opposed to piecemeal proposals for labour reform as by such a procedure employers would not be in a position to know the extent of the cumulative burden they would ultimately be called upon to bear on account of the cost of all such schemes. It would be more desirable to consider together all proposals regarding social and labour legislation so that the definite steps proposed to be taken would be correlated to the capacity of the industries concerned to pay.

My Committee further wish to invite the attention of Government to the following resolution adopted at the Conference of Industrial Employers held in Bombay on 8th December 1940, under the auspices of the All-India Organization of Industrial Employers and the Employers' Federation of India :

"1. (a) This Conference, while according its support to the principle of social and labour legislation for the improvement of the conditions of the working classes, is of opinion that the Government of India should use its utmost endeavours to ensure that

(i) any measures undertaken for the purpose should be on a strictly all-India basis, including Indian States and should also include Government undertakings, Central and Provincial ;

(ii) the burdens imposed should not be such as adversely to affect the position of industry ;

(iii) due consideration should be given to the special difficulties confronting industries in India and to the burdens already imposed upon them or under contemplation by Governmental measures, both Central and Provincial."

They would particularly stress that labour legislation should be on an all-India basis, including the Indian States so that the phenomena of unequal competition between units in British India territory and those in States territory due to lack of uniformity in labour standards may not present itself, to the detriment of the industry in British India. They also feel that all measures that may be recommended or adopted should be equally applicable to labour employed by Government, both Central and Provincial, as also those employed by quasi-Government undertakings. Government should not be deemed to be a privileged employer and the law should impose the same kind of obligations on the State in respect of labour measures as may be imposed on private employers.

Referring particularly to the recommendation in regard to the institution of schemes of Provident Fund for industrial workers, my Committee note that the Conference of Labour Ministers decided that it was not possible to make the introduction of such schemes compulsory and that the most that could be done was to recommend to the employers the adoption of such schemes on a voluntary basis. My Committee agree with that procedure. They are also in general agreement with the main principles which, in the opinion of the Conference of Labour Ministers, should be followed in framing the schemes of Provident Funds. In this connection, however, it has been pointed out to my Committee that in some of the mills in Bombay such schemes of Provident Fund on a voluntary basis exist and the general experience seems to be that the workers are not very enthusiastic about making their share of contributions to the Fund with the result that the schemes in question are not an unqualified success. There is one factor connected with the present situation to which my Committee would like to draw the attention of Government. A large proportion of the permanent labour employed in the textile industry in Bombay has migrated to the interior which had led to the appointment of substitutes ; one cannot say with any amount of certainty as to whether the new labour so engaged would continue in work. Under the circumstances, the difficulties of introducing any such schemes in uncertain times like the present are accentuated.

It is, therefore, all the more reason that consideration of such matters should be postponed till after the war.

APPENDIX 89

Recognition of Trade Unions

Letter No. L.O. 2893, dated 16th April 1942, from Commissioner of Labour, Government of Bombay, to Chamber.

I am directed to forward* herewith a copy of the Government of India, Department of Labour, letter No. L. 3079, dated 18th March 1942, on the above subject together with its enclosure and to request you to let me have the views of your Chamber generally on the proposals in the Bill or specifically on individual clauses thereof together with suggestions for modifications, if any. The members of your Chamber are not being separately addressed.

2. I shall be glad if you will kindly arrange to send your reply as early as possible, at any rate not later than the 15th May 1942.

Letter No. 2210, dated 19th May 1942, from Chamber to Commissioner of Labour, Government of Bombay.

I am directed to refer to your letter No. L.O. 2893, dated 16th April on the above subject and in reply to send to you hereby the views of my Committee on the proposals therein.

At the outset, my Committee would like to submit that the present times are not at all suitable for initiating and putting on the Statute Book social legislation for ameliorating the condition of the working classes. In their opinon, consideration of such matters should be deferred till after the war so that all measures necessary for promoting the welfare of labour and the relations between employers and employees may be considered together.

My Committee are also opposed in principle to any proposal for the compulsory recognition by employers of Trade Unions. In their opinion, the object Government have now in view will not be served by enforcing recognition by law.

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* Not printed.

If, however, legislation for statutory recognition is to be proceeded with now, my Committee suggest that the following modified or additional conditions should be imposed and the draft Bill circulated by Government should be amended accordingly.

(a) The minimum membership of workers from the industry or factory concerned should be 60% of the total number in each such industry or factory. The limit of 30% for the purpose now suggested by the Government of India is in the opinion of my Committee insufficient and if Trade Unionism of a healthy type and of a representative character is to be promoted in the country, only unions representing not less than 60% of the total number of workers in any particular unit should be entitled to be recognized ;

(b) At least two-thirds of the Executive of the Union should be actually workers employed in the industry. This is necessary to ensure that extraneous influences do not play too great a part in the working and management of the affairs of any recognized Union ;

(c) The Union should have been in existence at least for one year and not for 6 months as proposed by Government.

Under Clause 7 of the Bill failure by an employer to comply with the requirements of Section 28-G regarding obligation to reply to a communication of a recognized Trade Union, etc., shall be punishable with a fine which may extend to Rs. 500. The penalty proposed is very high and my Committee suggest that, instead, it should be provided that for the first default there should only be a warning and for subsequent defaults a token penalty.

APPENDIX 90

Amendment to the Trade Disputes Act

Letter No. L.O. 5070, dated 27th June 1942, from Commissioner of Labour, Government of Bombay, to Chamber.

I am directed to forward*, herewith a copy of the Government of India, Department of Labour, letter No. L. 3005,

* Not printed.

dated 30th May 1942, on the above subject and to request you to favour Government with your views generally on the proposals in the Bill or specifically on individual clauses thereof together with suggestions for modifications, if any. The members of your Chamber are not being separately addressed in the matter.

2. I shall be glad if you will kindly arrange to send your reply by 25th July 1942 at the latest.

Letter No. 2856, dated 1st August 1942 from Chamber to Commissioner of Labour, Government of Bombay.

I am directed to refer to your letter No. L.O. 5070 of the 27th June 1942, on the above subject. The main changes sought to be made in the Act by the provisions of the Bill are :—

1. Under Section 15 of the existing Act, sudden strikes and lock-outs, without notice in utility services, are illegal. This provision is now to be extended to all other industries and *businesses* which may be notified in this behalf by Government.
2. Strikes and lockouts during the period of conciliation are prohibited, and that *status quo* should be maintained by employers and employees till the conciliation proceedings end.

There is already in force in Bombay analogous provision under the Bombay Industrial Disputes Act and as such the proposed Bill will not materially alter the position so far as Bombay is concerned. The present proposals will, however, be of all-India application. My Committee, therefore, are in general agreement with the same.

Under the proposed Section 14-A the provisions relating to sudden strikes and lock-outs will apply also to such *businesses* as may be notified in this behalf by the appropriate Government. My Committee would like to have information as to the circumstances under which it was considered necessary to include businesses, as distinguished from industries,

within the ambit of this legislation ; they would also like to have more details as to the types of business Government have in view for which the provisions of Section 15 as proposed to be amended will be applied.

APPENDIX 91

Draft Mines Maternity Benefit Rules

Letter No. L.O. 3478, dated 6th May 1942, from Commissioner of Labour, Government of Bombay, to Chamber.

I am directed to forward herewith a copy of the Government of India, Department of Labour Notification No. M.-1285, dated 23rd April 1942 on the above subject together with the draft rules and to request you to let me have the views of your Chamber on the draft rules together with suggestions for modifications, if any.

2. I shall be glad if you will kindly arrange to send your reply positively by the 15th May 1942 at the latest as the Government of India has requested views by the 20th May.

Letter No. 2225, dated 20th May 1942, from Chamber to Commissioner of Labour, Government of Bombay.

I am directed to refer to your letter No. L.O. 3478 of the 6th May 1942 on the above subject and in reply to say that my Committee generally approve of the draft rules in question.

At the same time, my Committee would desire that Government should make it clear that the scheme of benefit under the Act applies to women surface workers in mines and that there are at present no women employed in underground work in mines and that the prohibition against underground employment of women decided upon in 1937 is being strictly adhered to.

APPENDIX 92

Bombay Weights and Measures Act, 1932 — Exemptions under Section 46

Letter No. 2924/33-G., dated 16th September 1942, from General Department, Government of Bombay, to Chamber.

I am directed to forward* herewith a copy of Government Resolution, General Department, No. 2924/33, dated the 4th September 1942, on the subject mentioned above, for your information.

Letter No. 3307, dated 23rd September 1942, from Chamber to General Department, Government of Bombay.

I am directed to acknowledge receipt of your letter No. 2924/33-G dated the 16th instant forwarding a copy of Government Resolution, General Department, No. 2924/33 dated the 4th September 1942, on the subject mentioned above, and to say that my Committee approve of the draft notification exempting weighing instruments for purposes other than trade from the provisions of Sections 4, 13 and 16 under Section 46 of the Bombay Weights & Measures Act, 1932.

APPENDIX 93

Report on the Hedge Contract Committee

Letter No. 5022/A./576, dated 2nd May 1942, from the East India Cotton Association, Bombay, to Chamber.

I am directed to forward* herewith a copy of the report of the Hedge Contracts Sub-Committee appointed by the Board for the purpose of evolving a scheme for a hedge contract to remain in force during the war and for a reasonable period thereafter and to say that the report will be submitted to an Extraordinary General Meeting of the Association to be held on Friday, the 15th May 1942 for consideration and approval. I am to request you to communicate to me on, or, before Thursday the 12th May 1942, your Committee's views or suggestions, if any, thereon, for consideration by the Board.

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* Not printed.

Letter No. 2165, dated 13th May 1942, from Chamber to East India Cotton Association, Bombay.

I am directed by my Committee to refer to your letter No. 5022/A/576 dated the 2nd instant and in reply to send to you hereby their views on the report of the Hedge Contracts Sub-Committee of your Association :

Paragraph 8 of the Report: This paragraph deals with the fixation of tendering differences. The last sentence in the same reads as under :—

> "While fixing such differences and 'on' allowances for staple the Committee and the Board, in case of an appeal, shall take primarily into account the prices at which cotton is sold in spot and shall also *be guided by* the following."

In the opinion of my Committee, the words "be guided by" underlined above should be substituted by the words "take into account". The effect of this change will be that in fixing such differences and 'on' allowances, the Board will have to take into account the prices of the cotton in the interior markets and the ruling rates of succeeding deliveries instead of being merely "guided" by such factors.

Paragraph 9 of the report: This paragraph deals with the spot rates. The first sentence in the para reads as under :

> "In fixing the spot rate for basic cotton during the delivery period, the Daily Rates Committee and/or the Board while sitting on appeal against the spot rates fixed by the Daily Rates Committee or when they take upon themselves the function of fixing such rates, shall primarily take into account the prices at which cotton is sold in spot and also *be guided by* the following."

My Committee are of opinion that the words "be guided by" should similarly be substituted by the words "take into account" for the same reason.

Subject to these changes, my Committee are in general agreement with the recommendations in the Report.

APPENDIX 94

Bill to amend the Cotton Ginning and Pressing Factories Act, 1925

Letter No. 3603, dated 23rd October 1942, from Chamber to Revenue Department, Government of Bombay.

I am directed by my Committee to refer to Government Notification No. 5956/28, dated the 29th August 1942, on the above subject, and to send to you herewith their views on the provisions of the Bill in question.

The main object of the Bill is to provide for the control of rates charged for ginning and pressing cotton. It is proposed to establish a Rate Fixing Committee for every Local area, with powers to fix maxima rates for ginning and pressing, and charging of rates in excess of such maxima is made punishable with fine which may extend to Rs. 500. The fixing of such maxima is obviously to ensure that return to the agriculturists for their produce is not reduced by excessive rates of ginning and pressing. My Committee are naturally in sympathy with that object and they are, therefore, in general agreement with the principle underlying the measure provided, at the same time, certain steps are simultaneously taken to safeguard the interests of the factory owners.

In the first place, the rates fixed should be reasonable and should take into account the increased cost of materials essential in the process of ginning and pressing. To obviate chances of any unfairness or hardship to the factory owners by reason of the rates fixed at any time being inadequate, my Committee suggest that a safeguard should be introduced in the Act itself by providing for an appeal against the rates fixed by the Committee and for setting up the necessary appeal machinery for dealing with the same. My Committee consider such a safeguard as very essential, and their acceptance of the principle of the fixation of rates is subject thereto.

The control regarding the rates should be introduced in all the Provinces and the Indian States, particularly in those States, adjoining the ginning centres in British India ; otherwise, there is the danger of ginning activities being transferred from British Indian Centres to nearby State territories. My

Committee request that Government should negotiate with other Provincial Governments and the Indian States concerned with a view to similar legislation being undertaken in their respective territories. The good offices of the Government of India may also well be invoked in this direction.

My Committee may also point out that during the present times, considerable difficulty is being experienced by owners of ginning and pressing factories in getting supplies of essential articles like baling hoops, crude oil, coal, lubricating oils, etc. which are so necessary in the day-to-day operations of the gins and presses. Government assistance in securing supplies of these materials at economic rates should be extended to them. Having regard to the present condition of the markets in these articles and the control exercised in the matter of their importation, without Government assistance, it would be difficult for the factory owners to get their supplies at reasonable rates. My Committee urge that this aspect of the question should have the most serious consideration of the Government, for if such essential articles as steel, baling hoops, crude oil, etc., for which a great scarcity is already felt, are not available, not only the object of serving the grower to get better prices, but the whole object of the legislation would be defeated and even the marketing of the crop would be seriously jeopardised.

My Committee trust that the Government of Bombay will be pleased to give the above suggestions their favourable consideration and particularly to incorporate in the draft Bill provision relating to setting up of the necessary machinery of appeal referred to above and making available to the ginners essential imported articles, e.g. steel baling hoops and crude oil.

APPENDIX 95

Draft Molasses Bill

Letter No. 954, dated 28th March 1942, from Chamber to Revenue Department, Government of Bombay.

I am directed by my Committee to refer to the Government Notification No. 9332/33 of the 18th February 1942 on

the above subject and to send to you hereby their views on the draft Bill to provide for the control of the possession of molasses.

According to the statement of objects appended to the Bill, it is intended by this measure to prevent the utilization of molasses for the manufacture of illicit liquor and to that end it is proposed that possession of molasses except under licences should be penalised. My Committee are in sympathy with the object of preventing illicit distillation and would welcome efforts in that direction.

At the same time, they would like to point out that nothing should be done to restrict the freedom of sugar factories in the disposal of molasses by requiring them to take out licences, etc. and that they should be enabled freely to dispose of their molasses to licensed purchasers. Molasses, as Government are aware, is a bye-product of the sugar industry and the disposal of the same has presented a serious problem to the sugar manufacturers. Suggestions for devising ways and means for increased and more economic use of this product have not so far been seriously or sympathetically considered by Government with the result that although since a number of years Indian industrialists in general and owners of sugar factories in particular were anxious to work up to alternative uses of molasses, nothing tangible has yet been achieved. As it is, the owners of sugar factories have to dispose of their molasses and if any check is put on their freedom to do that, it will cause considerable inconvenience and be an additional source of burden to the industry. Molasses should, therefore, continue to be allowed to be used for all purposes for which the same is being used at present, e.g. for burning in boilers, for manure purposes, for feeding cattle, etc. But my Committee further emphasise that Government should also take early steps to promote new lines for more economically utilizing this important and potential bye-product of the sugar industry, viz. in the manufacture of power alcohol, rectified spirit, essential chemicals, etc. in the Province and any difficulties in the way of such utilization should be overcome without loss of time, so that the sagging prices on account of this measure may not entail loss of income on the manufacturers.

The sugar factories as such should be exempted from the Act and owners thereof should not be required to take out licences or otherwise to conform to any of the requirements of this measure. In order, however, to achieve the purpose of the Bill, it may be required that owners of sugar factories should dispose of molasses only to purchasers who are in possession of necessary licences as contemplated under the Bill.

The provision in Section 12 throwing the onus of proving his innocence on an accused person is contrary to all accepted principles of justice. An accused should be deemed to be innocent until such time he is proved to be guilty. The responsibility should rest with the prosecutor and the burden should not be shifted over to an accused person as contemplated in this clause.

My Committee, in conclusion, would like to emphasize that the object of prohibiting illicit distillation, however laudable, it is equally of importance that alternative uses for the economic utilization of molasses should be simultaneously attended to. It is but just and fair that when Government put any such restriction, they must also provide against the adverse and uneconomic consequences arising from that restriction.

APPENDIX 96

Punjab Sales Tax

Telegram dated 25th February 1942, from Chamber to P. S. V., New Delhi.

Committee, Indian Merchants' Chamber respectfully draw the attention of His Excellency the Viceroy to the situation created in the Punjab by the trade hartal and further developments consequent upon differences with Government in regard to the Punjab Sales Tax. The policy pursued by the Punjab Government has resulted not only in the dislocation of inter-Provincial trade but also has led to disturbance and dislocation of trade in different Provinces and may lead to undesirable developments. Committee urge that steps should be taken to resolve the deadlock immediately and to that end request the friendly intercession of His Excellency and the

Government of India. Committee take liberty to suggest that His Excellency may be pleased to depute the Honourable Sir Ramaswami Mudaliar, Member for Commerce, to the Punjab to make friendly effort to conciliate the differences between the Ministry and traders.

APPENDIX 97

Bill to regulate the Manufacture of Power Alcohol

Letter No. 3484, dated 13th October 1942, from Chamber to Revenue Department, Government of Bombay.

I am directed by my Committee to refer to Government Notification No. 5815/39, dated 30th August 1942, on the above subject, and send to you hereby their views on the draft Bill published therewith.

My Committee would first like to make some general observations, particularly referring to the statement of objects annexed to the Bill. It is mentioned therein that the legislation in question was being undertaken with a view to facilitate the immediate purpose of conserving supply of petrol for Defence requirements. Government have thus emphasized the war-time character of the industry. My Committee strongly urge that the legislation should be conceived on a permanent footing and that even after the emergency, necessary steps should be taken to give the industry such assistance as it might stand in need of. What my Committee are particularly anxious is that, as happened after the last war, industries which are considered necessary for the prosecution of the war, should not, when the emergency is over, left to fend for themselves. In this connection, it may be recalled that the Hon'ble the Commerce Member of the Government of India, in a statement which he made before the 11th Industries Conference held at Mysore in December 1939, gave an assurance that Government would be prepared to extend to industries developed during the war-time, such assistance as they might stand in need of in post-war conditions. In a further statement which he made in the Central

Legislative Assembly on 12th March 1940, he reiterated this assurance and added that "in case we (Government) in any form encouraged the development of industries for our war needs, we shall make it clear that at the end of the war those entrepreneurs who had come to the assistance of the State and had developed industries would not be left high and dry and to take care of themselves". In consonance with the policy enunciated in the above utterances, my Committee urge that the Government of Bombay should also make it clear that although the primary urge for assistance in the development of this industry was the immediate war needs, they would stand by the same even in the post-war period and would extend to it such assistance and protection as it might stand in need of in the conditions then existing. With these general remarks, my Committee would now give their views on the detailed provisions of the Bill.

Clause 5: This clause imposes conditions to be inserted in the licence to be granted for the manufacture of power alcohol. The quantities to be manufactured and the period within which the same are to be manufactured are two among the prescribed conditions. My Committee feel that such conditions would stand in the way of the efficient conduct of the business of the licencee. Moreover, they do not see the need for the same. They, therefore, suggest that the clause be deleted.

Clause 7: It is provided under this clause that all power alcohol manufactured in the Province should be sold to the Provincial Government. There is no reason why statutory provision should be made making Government the sole purchaser, thereby, restricting the right of the manufacturer to sell it to any other party. The manufacturer should be entitled to sell to any prospective purchaser. The restriction in question is not in existence for any other articles covered by the Abkari Act. My Committee therefore suggest that the same should be removed and the manufacturer should be at liberty to sell the product to any licensed purchasers.

It is further provided in this clause that the price at which the product is to be sold is to be fixed by Government. My

Committee suggest that provision should be made that such prices should be fixed in consultation with the manufacturers and should be based on the All-in cost to such manufacturers, including also increased labour and other charges and allow, of course, a reasonable margin of profit.

Clause 25 (2) : The rules under the Act should be framed in consultation with the manufacturing interests and public bodies like Chambers of Commerce.

Clause 27: This clause provides that the compulsory admixture shall not apply to the use of petrol for military purposes. The exemption in question, in the opinion of my Committee, should apply only for the duration of the war, and that after the war the provisions relating to the admixture should equally apply to such cases also.

My Committee hope that Government will be pleased to consider the above suggestions favourably and amend the Bill accordingly.

APPENDIX 98

Extension of Rent Restriction Order to Business Premises

Letter No. 3259/33-A., dated 8th May 1942, from General Department, Government of Bombay, to Chamber.

I am directed to invite your attention to Clause 3 (3) of the Bombay Rent Restriction Order, 1942 (published at pages 1041-A to 1941-C of Part I of the *Bombay Government Gazette Extraordinary*, dated the 22nd April 1942), in which "premises" has been defined as "a building or a part of a building let for the purpose of residence". It has been represented to Government that landlords of premises that are used for office and business purposes, are now raising rents unjustifiably. It has, therefore, been suggested that the definition of "Premises" be so amended as to include premises occupied for *business purposes.* I am to request that you will be so good as to favour Government, within a week, with the

views of your Chamber on the suggestion. Any information that may be in your possession regarding unjustifiable increases in the rents of such premises may also kindly be supplied.

Letter No. 2231, *dated* 21*st May* 1942, *from Chamber to General Department, Government of Bombay.*

I am directed to refer to your letter No. 3259/33-A of the 8th May 1942, on the above subject. Cases have been brought to the notice of my Committee where rents for business premises, particularly godowns, have been increased. My Committee, however, do not consider any general restriction against increases necessary, but if Government, after full investigation consider that the increases in certain localities are exorbitant, restriction may, if Government consider the same necessary, be imposed in such localities. They would, at the same time, like to add that if ultimately it is proposed to put restrictions on the raising of rents for business premises, such restrictions should not be strictly based on the level of rents prevailing before the war, but a reasonable increase should be allowed comparable to the general increases at present in regard to cost of other goods and services.

APPENDIX 99

Transfer of Property Act — Assignability of Marine Insurance Policies

Letter No. 5707/4-*B., dated* 11*th March* 1942, *from the Home Department, Government of Bombay, to Chamber.*

I am directed to forward* herewith a copy of a letter from the Government of India, Legislative Department, No. F. 220/41-C. & G. (Judl.), dated the 19th February 1942, and of its accompaniment and to request you to favour Government with the views of the Indian Merchants' Chamber, Bombay, on the proposed amendment of the Transfer of Property Act, 1882, in regard to assignability of marine insurance policies and subrogation.

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* Not printed.

No. F. 220/41-C. & G. (Judl.)
GOVERNMENT OF INDIA—Legislative Department

From the Hon'ble Mr. Shavax A. Lal, C.I.E.,
Deputy Secretary to the Government of India.

To the Secretary to the Government of Bombay,
Home Department.

NEW DELHI, the 19th February 1942.

Subject : Proposed amendment of the Transfer of Property Act, 1882, in regard to assignability of marine insurance policies and subrogation.

Sir, I am directed to forward for information a copy of the discussions held on the 21st December 1936, at the annual general meeting of the Associated Chambers of Commerce in which a resolution was adopted recommending (1) the widening of the scope of Section 135 of the Transfer of Property Act, 1882, on the lines of Section 50 of the Marine Insurance Act of 1906 (6 Ed. 7 Ch. 41), and (2) the incorporation in the Transfer of Property Act of provision corresponding with Section 79 of the Marine Insurance Act, coupled with an amendment of Clause (*e*) of Section 6 of the Transfer of Property Act. The tentative views of the Government of India are—

(1) that the reference to a policy of marine insurance should be omitted from Section 135 of the Transfer of Property Act, leaving the section to apply to policies of insurance against fire and that a new section should be inserted to deal with policies of marine insurance in the substantial sense of Section 50 of the Marine Insurance Act, 1906 ; (2) that no case has been made out for the enactment of a counterpart of Section 79 of the Marine Insurance Act or for the amendment of Clause (*e*) of Section 6 of the Transfer of Property Act.

2. Before, however, proceeding further they will be glad to have the view of the Provincial Government together with those of the High Court and of such Commercial bodies as the Provincial Government may deem fit to consult.

(Sd.) S. A. LAL,
Deputy Secretary to the Government of India.

Letter No. 1002, *dated 2nd April* 1942, *from Chamber to Home Department, Government of Bombay.*

I am directed by my Committee to refer to your letter No. 5707/4-B, dated the 11th March 1942 on the above subject and to send to you hereby their views on the suggestions contained therein.

The proposals made by the Associated Chambers of Commerce for the amendment of the Transfer of Property Act so as to incorporate therein provisions on the lines of Sections 50 and 79 of the Marine Insurance Act, 1906, with a view firstly to Marine Insurance Policies being made assignable and secondly to confer the right of subrogation on the insurers in respect of marine policies under certain circumstances, have been carefully considered by my Committee and they are in general agreement with the same. It is requested that the Government of Bombay will recommend to the Government of India the necessity of undertaking, without loss of time, legislation on the lines under discussion.

My Committee, however, note that the Government of India, in their forwarding letter observe that so far as the second suggestion, viz. right of subrogation is concerned, no case had been made out. My Committee are unable to appreciate why Government consider the reform unnecessary. In their opinion, it appears to be necessary and my Committee will be glad if a statement of the reasons of Government for considering that part of the recommendation of the Associated Chambers of Commerce as not being necessary is furnished to them.

APPENDIX 100

Indication of the Country of Origin — Merchandise Marks Act*

Letter No. 3473, *dated 13th October* 1942, *from Chamber to Commerce Department, Government of India, New Delhi.*

I am directed to invite a reference to the correspondence, ending with my letter No. 2561, dated the 9th October 1941,

* For previous correspondence, see Report 1941, p. 380.

on the above subject. My Committee had drawn the attention of the Government of India to cases of goods which were manufactured in India, but the owners or proprietors of which were British or foreign companies, and on which the names of such owners with their foreign addresses were marked. They had pointed out that such a position led to a misunderstanding in the public mind that the goods in question were manufactured in the foreign countries concerned, and had urged that provision should be made in the Merchandise Marks Law of the country, so as to require in such cases for a clear counter-indication of the country of origin. Government had in their letter No. 301-Ind./(2)/41, dated the 13th September 1941, asked for instances of such Indian-made goods. The following information has been furnished to my Committee :

Name of Medicine	Agents in India	Remarks
Pertusin Syrup Styptol Tussanol Syrup Cardiazol Cardiazol-Ephedrine	Martin & Harris.	Made in India, but passing as foreign.
Thisol Syrup Pyrodent	Continental Drug Co.	Indian; passing as foreign.
Elixir Neogodine Heptaglobine Calcinol Injections Calcinol Irradiated	Raptakos Brett & Co.	Made in Bombay, but passing as foreign.
Stanoxyl	B. A. Bros.	Made in India, but passed as foreign.
BERIN Tablets and Injections CELIN Tablets and Injections	Glaxo Lbs.	Made in India, but passed as foreign.

I am also sending herewith a price-list issued by the Glaxo Laboratories, Ltd. This firm have got their factory in Bombay, but the price-list issued by them to the medical profession and trade creates an impression that the products which they are selling in India are made in England and that the price-list is an English price-list. I am also sending herewith

a blotter issued as an advertisement for the product called "Elixir Neogodine" manufactured by Raptakos Brett & Co., who have their factory at Worli (Bombay). You will see therefrom that in the blotter the medicine is indicated as having been "Made in France".

In the light of the above instances, the suggestion of my Committee that the Law should have provision for a clear indication of the country of origin on such occasions is reinforced. It is hoped that Government will be pleased to go into this question and take necessary steps at an early date.

APPENDIX 101

Interview with the Hon'ble the Commerce Member

Speech of Mr. J. C. Setalvad, President, Indian Merchants' Chamber, at the interview with the Hon'ble Mr. N. R. Sarker, Commerce Member, Government of India, on Tuesday, the 8th December 1942.

Hon'ble Mr. Nalini Ranjan Sarker,

I have great pleasure in welcoming you here today on behalf of the Committee of the Indian Merchants' Chamber. The pleasure is all the greater in that we are welcoming one who was, till recently, a colleague in the non-official sphere. Your past association with Indian commerce will, no doubt, prove to be an added advantage in the discussion of problems affecting trade and commerce and consequently, you will be in a better position to appreciate our difficulties. We hope that as a result of the talks today, some of the difficulties we are pointing out will be mitigated.

1. **Food Supplies:** We have been seriously considering the situation, as it has presented itself during these days, in regard to supplies of day-to-day requirements of articles of foodstuffs and other necessities of life. As you yourself, sir, remarked early this year, in an official address, "the morale of a nation in war depends on its food supplies". It is, therefore, of the greatest importance that a solution of the immediate difficulties in regard to supplies of foodstuffs should be found, so as to avoid any unpleasant developments consequent upon food shortage. The proposal, of the Government of India to constitute a separate Department of Food, under your control, is to be welcomed. Unlike countries in the West, India, as an agricultural country, produces her own requirements of food-grains and has not to depend, to any great extent, on imported supplies. Our requirements of rice were, to the extent of about five per cent, supplied by imports from Burma, and the stoppage of these imports naturally will cause

a shortage to that extent; but by necessary adjustments it should not be impossible to get over this difficulty. Moreover, recent crop forecasts and reports and the "Grow-more-Food" campaign indicate that there should not be any danger of serious shortage in the country as a whole. The problem then is one of handling and distributing the existing supplies in an equitable manner. The position is that certain provinces are deficit provinces in regard to some of the essential articles of foodstuffs like rice and wheat. Bombay, for instance, has, even in normal times, to depend on external sources for over 4,80,000 tons of rice and 2,37,000 tons of wheat. There are other provinces, which have exportable surpluses like Bengal for rice and Punjab for wheat. At present each Provincial Government is controlling the movement of foodstuffs outside its limits in a manner which, *prima facie*, indicates a lack of co-ordination or plan. You will appreciate, sir, that if the producing provinces and states were to be obsessed by an *undue* sense of anxiety of requirements of their own territories, the shortage problem cannot be dealt with in an effective manner. The first essential step, therefore, is to have a co-ordinated plan of action which will see to an equitable distribution of the available supplies, as between the different provinces. It is significant to point out that the Hon'ble Member for Communications, in his recent address to the Indian Railway Conference Association, regretted that on many occasions although wagons had been supplied stocks were not forthcoming "frequently owing to the restrictions imposed by local authorities"; and added that there was plenty of food in the country and "the immediate problem was one of inducing a free flow".

The Indian commercial community have expressed themselves unequivocally in the matter of exports of foodstuffs at the present juncture. When the internal situation is far from reassuring, exports, even of small quantities, have no justification. There has been strong public criticism against the permission for exports of substantial quantities of rice to Ceylon. These exports have been very much in excess of the normal off-take of Ceylon from India. There appears also to have been the further commitment of supplying Ceylon to the extent of 20,000 tons of rice every month. While we

realise that for military and political reasons, some exports either to Ceylon or the other theatres of war may be deemed inevitable, Government should see to it that they are limited to the minimum and that they do not upset the balance of position here unduly.

2. **The United Kingdom Commercial Corporation :** We had occasion to discuss this question with Mr. N. R. Pillai, the Commerce Secretary, when he met us early this year. He tried to allay our fears by stating that the Corporation was not being given any privileges or special facilities by the Government of India and that it was utilizing the ordinary trade channels so far as activities in India were concerned. Since then, there has been a good deal of public discussion on this question. Instances of the advantages secured to the Corporation in certain spheres of export trade have been furnished. It has been pointed out how the entry of the Corporation into the trade with Turkey and Russia is militating against Indian interests. In fact, so far as Turkey is concerned we are informed that even transactions which have been completed in all stages have to be ultimately put through the Corporation. Exports of foodstuffs to Saudi Arabia, Iran and Iraq are further instances which have been prominently mentioned. Fears have been entertained, and reasonably so, that having regard to the fact that the organization is financed and to a certain extent controlled by His Majesty's Government, it was in a position to bring to bear influence and pressure, directly or psychologically, in the matter of facilities such as transport priorities, export licences, shipping space, etc. We have with us a circular issued by the North Western Railway to the station staff to treat "all bookings for the United Kingdom Commercial Corporation" as indispensable movements and as such to be given the necessary priority. We are aware that this matter was the subject of interpellations in the Legislative Assembly and a resolution was also moved in the Council of State. No satisfactory reply seems to have, so far, been given to the objection as to why such a Corporation should function only in India, while there are no British counterparts to it in the Dominions and why, if for reasons connected with the war, a special organization was necessary, the Indian Government could not themselves set up

a similar institution to undertake the export business from India. Sir Allan Lloyd mentioned in the Council of State in September that it was intended to issue an exhaustive statement containing the full explanations in regard to the different complaints. Although two months have passed, the statement in question has not yet been made available. We feel that the activities of the Corporation should cease so far as India is concerned and that if due to reasons of war policy, Government deem it necessary that the exports from India should be dealt with in a centralized manner, they should set up an Indian counterpart with the assistance of Indian commercial men. Incidentally, it may be mentioned that by reason of the Corporation having its central control and finance located outside India the substantial profits which it might make in the world markets will not in any manner benefit the Indian exchequer, even if technically profits attributable to transactions exclusively made in India are made subject to Indian income-tax.

3. **Proposed Monopoly for the Importation of Piecegoods into East Africa:** We have drawn the attention of Government to a proposal under consideration by the East African Government for the formation of a Corporation known as "The Utility Textile Importing Corporation" to be given the monopoly of importing from India textile goods popularly in use in that country. The membership of the corporation will be confined to previous importers with prescribed quotas and others approved by the East African Government. The Corporation would further be allowed to import only specified and standardized varieties in order, it is stated, to facilitate price control in that country. We are strongly opposed, in principle, to any such system of monopoly, as the same, even in normal times and circumstances, will prejudicially affect *bona fide* trade and producing interests. We further apprehend serious reactions on the Indian cotton producer and the cotton textile manufacturer here in this country on account of the proposed step. After studying the requirements and tastes of the population there, Indian merchants have developed the export trade in textiles to East Africa and the present move of the Government of that country for restricting and controlling the said trade is to be highly

regretted. Moreover, efforts are now being made to capture that portion of the market in that country, which was formerly being supplied from Japanese sources. These efforts would be handicapped with permanent injury to the future of the export trade in cotton textiles. It is hoped that the Government of India are taking up this issue with the East African Government and that they will pursue the matter energetically, so that the scheme may be abandoned.

4. **Non-acceptance of Policies of Indian Insurance Companies:** This is not a new issue coming up before Government for the first time. As a member of the Central Banking Enquiry Committee, you, sir, will perhaps recollect that strong complaints were made by mercantile interests before that Committee regarding the attitude of the Exchange Banks working in this country in the matter of the acceptance of insurance policies of Indian companies. The position, however, improved subsequently and, generally, Indian policies came to be accepted. Recently, a new difficulty has cropped up. The foreign buyers, while opening bank credits in favour of the Indian exporters or shippers, generally, it appears, mention that insurance should be with "British companies". In the past the said term was deemed to cover also companies registered in the Dominions and in India. Recently, however, the British Bankers' Association gave a ruling that the term "British companies" meant only companies whose head offices were domiciled within the United Kingdom and consequently, the Exchange Banks operating here are now demanding insurance with companies registered in the United Kingdom in all such cases. You will appreciate that the position taken up by the British bankers and, on their instructions, by the Exchange Banks here is extremely unfair to the Indian insurance companies. It is unfortunate that the Exchange Banks which are allowed to do business in this country without any restriction whatsoever should not have taken up the matter with the London authorities with a view to the definition of "British companies" being administratively relaxed, so as to include Indian companies also. We request the Government of India to pursue this matter vigorously with all parties concerned to see that policies of Indian insurance companies are accepted freely.

5. **Refusal of Foreign Shipping Companies to Recognize Measurement Certificates issued by the Indian Merchants' Chamber:** The Chamber of Commerce is a recognized authority for issuing certificates in regard to quality, origin, measurement, weighment, etc. Similarly, in port centres, the work of weighing and measuring cargoes for shipment is, generally, done by a Chamber and the Shipping Companies recover freight from the shippers on the basis of such weighment or measurement certificates. Due to certain special circumstances, the origin and nature of which we need not today discuss, this work was being generally done at the different port centres in India by the respective European Chamber of Commerce. Thus, in Bombay, it was being done by the Bombay Chamber of Commerce. In response to suggestions made by merchants, shippers and Indian steamship companies, the Indian Merchants' Chamber instituted their own Measurement Department in 1941 and undertook the work of measuring and weighing cargo and issuing certificates for the same. The scheme was welcomed by the Indian-owned and managed shipping companies as also by owners of country-crafts and the certificates issued by the Chamber are being accepted by them. Unfortunately, however, the foreign-owned shipping companies and agents have chosen not to accord the necessary recognition to this work of the Chamber and have not agreed to accept our certificates. This attitude, you will appreciate, cannot be condemned too strongly. The foreign shipping companies are enjoying our hospitality and are allowed to do business without any restrictions here. It is very unfortunate that they should consider themselves to be in a privileged position which would enable or entitle them to discriminate against Indian institutions in such a manner. We are not raising this question merely from the point of view of the recognition or non-recognition of the certificates of the Indian Merchants' Chamber as such ; we are raising it on the broader issue of national self-respect. We submit to you, sir, that you should, whenever a suitable occasion presents itself, impress on the British shipping owners and shipping agents that such an attitude is unhelpful.

6. **Registration of Trade Marks (Non-Textiles) in Bombay:** At present, although trade marks in regard to

non-textiles are allowed to be deposited in Bombay, the formalities connected with their registration can be completed only at Calcutta and the register, as such, is maintained at that centre. Considerable difficulty is being experienced by mercantile interests by the absence of facilities in Bombay for registration of non-textile marks. From enquiries made by us, we found that over 50 per cent of the non-textile marks deposited under Section 85 of the Act, were from Western and Southern India, the percentage of such marks from Bengal, U.P., Assam, Behar and Orissa being only 30.1 per cent. Moreover, there is already a Bombay Registrar who is, so far as textile goods are concerned, vested with full authority in all matters covering the registration of the marks relating to such goods. Without any serious difficulty, the scope of the Bombay office could be enlarged so as to allow the registration of non-textile trade marks also. We realise that this would necessitate an amendment of the Act ; but, in order to increase the utility of the legislation and with a view to make its working more smooth from the practical point of view, the necessary amendment of the Act should be undertaken at an early date.

7. **Shipping Cables and Scheme for "Assisted Messages"**: Under the Censorship Regulations, names of steamers and details of shipments cannot be mentioned in telegraphic advices sent by merchants to their constituents overseas. As the restriction entailed a practical difficulty, representations were made by us to the Censorship authorities suggesting the necessity for some special arrangements for the despatch of such advices, without, at the same time, impairing the requirements of secrecy regarding movement of ships. Ultimately, a scheme for "Assisted Messages" was introduced. Certain functions were assigned to the Bombay Chamber of Commerce in working this scheme. We addressed the Censorship and the Naval Control Authorities pointing out that so far as Indian merchants were concerned, arrangements should be made to enable them to send such telegrams through the Indian Merchants' Chamber, i.e. the Indian Merchants' Chamber should be put on the same footing as the Bombay Chamber of Commerce for purposes of the working of the "Assisted Message" scheme. No satisfactory reply was re-

ceived from the authorities in question. In this connection, we understand that in Calcutta, the scheme is being worked jointly by the Indian Chamber of Commerce and the Bengal Chamber of Commerce. We are aware that this matter does not directly concern your department; but, having regard to the fact that the question is one which affects the Indian merchants, we have thought it fit to raise the same here in the hope that you will be pleased to take it up with a view to the position being rectified.

8. **Appointment of a Non-Indian as Assistant Shipping Adviser:** We had protested when Captain H. L. Davis was appointed as the Indian Shipping Adviser on the ground that the appointment should have gone to an Indian. Government, however, recently appointed Mr. R. Collinson as Assistant Indian Shipping Adviser. It is unfortunate that the policy of Indianisation to which Government are committed, is being frequently ignored. Moreover, Mr. Collinson was, previous to his present appointment, in the Bengal Pilot Service. The work in that service cannot be considered as a special qualification for the post of the Assistant Shipping Adviser. That post requires, in our opinion, knowledge of commercial matters and commercial shipping problems, as also certain administrative experience. We request Government to be pleased to reconsider the step and to appoint an Indian to that post.

9. **Anglo-American Shipping Technical Mission on Ports and Conditions:** We have expressed our regret at the omission to include representatives of Indian commerce and Indian shipping on the above Mission. The Indian commercial and shipping interests are directly and vitally interested in the enquiry and the association of two officials thereon, one from the Communications Department and the other from the Calcutta Port Trust does not rectify the position. There is no point in suggesting that British shipping operating in India is also not separately represented on the Enquiry. The United Kingdom Members on the Mission will look after their interests being, possibly, persons who had, at one time or other, been directly connected with shipping. Further, although blue-water shipping is under the portfolio of Com-

merce, even the officials associated with the work of the Mission are exclusively drawn from the Communications Department. The least that Government can now do to retrieve the position is to give an undertaking that no specific action will be taken, arising out of the recommendations of the Mission without giving Indian commercial and shipping interests an opportunity to express their views on the same.

10. **Import Duty on Raw Materials and Component Parts:** It has often been suggested in the past that raw materials required for use in industry, which cannot be normally had in the country, should be allowed free of duty. This suggestion had also the support of the Indian Fiscal Commission. Government should now accept this principle and give immediate effect to the same with a view to assisting further industrialization in the country. Similarly, component parts required for use in the manufacture of certain finished products should not be made to bear a duty higher than the rate applicable to the corresponding finished products. The reasonableness of this request was recognized by Government in 1925 and several cases of tariff inequality were referred to the Tariff Board. We now suggest that there should be no need for any such elaborate enquiries before giving this relief. Whenever an industry establishes that certain component parts required for use in any industrial process here are charged at rates higher than those for corresponding finished products, immediate relief should be given. Cases of imports of wood for making shuttle and certain materials for making healds and reeds are instances in point. Further, it sometimes happens that component parts of certain machinery have to be imported separately. On such occasions, such component parts are not allowed at rates applicable to the main machinery on the ground that the parts could be put to other uses also. This should not be done.

11. **Progress of the Work of Reconstruction Committee and Industrialization:** My Committee would like to have information as to the progress made in regard to the work of the various Committees appointed by Government in connection with Post-War Reconstruction. It is suggested that in order to keep the public informed of the progress of the

work, periodical reports may be circulated to the commercial organizations. They also request that Government should agree to a procedure that before any final decision is taken on any of the recommendations made by the various Reconstruction Committees, the commercial community should be given an opportunity of expressing their views on the same. My Committee would also like to know if the question of industrialization is also a matter which is being examined by the said committees. There are a number of essential and key industries yet to be developed in the country, and the commercial community is naturally anxious to have detailed information on this aspect, particularly of the programme of work of post-war reconstruction.

12. **Import Control of Dyes—Share of Past Imports from Japan, etc.:** At present, imports of dyes are for practical purposes possible only from U.S.A. The quotas fixed for individual importers, in this connection, have not taken into account the previous share of imports from countries like Italy and Japan. You will appreciate that particularly after the beginning of the war in 1939, when imports from Germany were completely shut out, greater imports were made from Japan. If the share of such imports is not taken into account for purposes of fixing up the quotas for imports from U.S.A., there will be great hardship experienced both by the importers and the industries concerned.

Before I conclude, I would like to refer to the political situation in the country, which is naturally exercising the minds of the commercial community. My Committee have unreservedly condemned the acts of sabotage and violence, which have resulted in loss of life and property. At the same time, the continued policy of repression, we submit, is not going to lead to a satisfactory solution of the present deadlock. It is unfortunate that Government do not seem to have appreciated the need for an early settlement. If things are allowed to continue, as at present, my Committee fear that it will accentuate the feeling of bitterness in the country. The continuance of the present circumstances will prove disastrous to trade, commerce and industries of the country, and will also impede the war effort. We, therefore, look to you,

sir, and the other Indian Members of the Viceroy's Executive Council, to exert your influence, with a view to bring about a satisfactory solution of the political problem.

Summary of the replies given by the Honourable Mr. N. R. Sarker, Commerce Member, Government of India:

"I thank you sincerely, Mr. President, and other members of the Committee for the opportunity you have given me today of discussing with you many of the important commercial and economic problems of the day. You have been kind enough, Mr. President, to refer to my past associations with Indian Commerce. In fact, in spite of the many limitations which acceptance of office has naturally imposed, I still consider myself as one of you. I can assure you that there has been absolutely no change in me in this matter. I recall with gratefulness that I have received active help from many amongst you in securing such opportunities as I have had for serving the country and the people. In fact, I count some amongst you as my best friends. It is, therefore, but natural that I should be very happy to have this opportunity of meeting many erstwhile colleagues and friends and discuss with them in a heart to heart talk many of the difficult problems with which we are confronted today. I should like to add that I intend today's discussion to be carried on, not in any conventional official way, but in a friendly spirit,—our common object being to find satisfactory solutions for some of these problems.

Political Situation: In respect of the political problem mentioned at the end of your address, I fully share with you, Mr. President, your great anxiety for a speedy settlement of the political deadlock. Apart from the grounds of idealism, I am fully convinced from the experience I have gathered by my work in the Government of both the Province and the Centre as also in the commercial field of the country for the best part of my life, that our freedom is essential so that India may attain her full development in every sphere of life. Nobody regrets the present unhappy situation in the country more than myself. As for myself, believe me, I accepted office and am continuing in it not for any charms that office

may hold out, but on account of the fact that there are still certain spheres, however humble, which offer scope for real service to the country. If I ever feel that the interests of the country demand that I should again take my stand by your side as a non-official, I shall not hesitate for a moment to do so.

I have already mentioned to you my anxiety that the political deadlock should be satisfactorily resolved as early as possible. But it is as well that you should also appreciate the limitations under which we have to work. I would refer only to two facts. In the first place, we are guided in all our activities by the Government of India Act. In the second place, the present Members of the Council are drawn not from a single party, but from different sections of the political life of the country. And although each one of us is anxious for a political settlement, each acts according to his own outlook and lights.

Further, a satisfactory settlement can only be evolved on agreement between the major Indian parties, on the one hand, and the British Government, on the other. The scope, therefore, that is left to us to help evolve a solution is very limited. But within this limited sphere, we are doing all that lies within our power and in our own way to accelerate the progress towards our common objective. What we are doing cannot obviously reach public ears, but let me assure you that nobody would be happier than myself when our desired goal will be reached or prouder than myself when we shall be in a position to hand over very much larger powers than we exercise today to the accredited representatives of the people. Gentlemen, I feel that I should not say anything more on political issues.

1. **Food Supplies:** I fully share your anxiety in regard to the present food situation in the country. On the basis of our present estimates, we may be faced with a deficit of about 10 lakh tons of food-grains in the country, as a whole. This shortage, however, constitutes a very small proportion of our total food-grain production of 600 lakh tons annually.

I agree that a co-ordinated scheme of purchases and supply for the requirements of consuming Provinces is necessary.

In fact, the Food Department is created to take a co-ordinated action to purchase food-grains required for the Army and the consuming provinces and I hope that with the co-operation of the public the Food Department will be in a position to tackle the problem more satisfactorily.

Let me say that the problem of distribution of available supplies is very important and the difficulties are very great. It is not a question concerning the Government of India and the producing Provincial Governments alone. I am examining the steps which are necessary to induce the cultivators to part with their stocks more freely. I am sure you do not expect me to discuss the steps publicly, but I can assure you that they are engaging my most serious consideration and I hope to implement them at the earliest possible date.

There is a good deal of misapprehension about the exports to Ceylon. Our exports of food-grains are only confined to the needs of our Army in Iraq or Iran and the minimum requirements of Ceylon. Between September and November, a quantity of only 34 lakhs tons was sent to Ceylon, and we have made it clear that the supply of rice from India will be reduced to the rock bottom minimum.

2. **The United Kingdom Commercial Corporation:** I am fully alive to the apprehensions expressed by the commercial community about the activities of the U.K.C.C. The main activity of the Corporation is to supply essential commodities to Russia which call for careful planning in regard to transport arrangements, etc. As regards Persia, the Corporation supplies only a limited number of commodities, namely, hides, tanning material and lorry tyres and tubes. No purchases of wheat are being made by the U.K.C.C. since November 1941. The U.K.C.C. does not purchase sugar in India, but merely acts as an agent of the Ministry of Food for distribution of sugar in Egypt which obviously is not within our control. No special concessions are given to the U.K.C.C. except freight or other priority for the movement of war supplies which are available to commercial firms on the same basis. The N.W.R. circular referred to has been already modified to make it clear that only priority is to be granted for war supplies.

I have carefully examined the feasibility of having an Indian organization to handle the export trade to those countries which are at present being catered for by the U.K.C.C., but I feel that the peculiar position of the Governments concerned and the position regarding shipping render it difficult to organize such an agency. I am carefully watching the situation and the steps of limiting the U.K.C.C.'s activities in such a way as to ensure through assurances from His Majesty's Government, that the U.K.C.C. does not encroach upon the legitimate trade activities of Indian commercial community in the pre-war years. As regards tea, the U.K.C.C. will be merely handling the distribution of tea in Egypt and some Middle Eastern countries. In regard to Persia we have made it quite clear that the agent nominated by the Persian Government should be somebody other than U.K.C.C. I am pressing on the Secretary of State the anxiety felt by the Indian commercial community and I can assure you that I would maintain constant vigilance over the activities and see that they would not be detrimental to the established trade channels or to the interests of Indians engaged in export trade in post-war years.

3. **Proposed Monopoly for the Importation of Piecegoods into East Africa:** The matter has been brought to the notice of the Commerce Department and that Department is in touch with the East African Government on this question. I would take necessary steps as soon as we get full information. I fully agree that our export trade in countries like East Africa has been built by our ancestors at a great sacrifice and with a commendable commercial enterprise. I am equally aware that the prosperity of a large section of the commercial community and cultivators depends on the maintenance and expansion of our export trade. I must, however, examine the case of the other side before I can take any specific measures and I shall be very glad to receive any constructive or helpful suggestion which your Chamber can give if the East African Government finally proposes to us to have an importing corporation.

4. **Non-acceptance of Policies of Indian Insurance Companies:** I am aware of this complaint that foreign exchange

banks do not accept the policies issued by the Indian insurance companies and I am having this matter examined and shall look into it when I return to Delhi.

5. **Refusal of Foreign Shipping Companies to recognize Measurement Certificates issued by the Indian Merchants' Chamber:** I should like to have more information on this question from the Chamber. I do not see that any discrimination against the Indian Merchants' Chamber is involved, but if the grounds on which the British companies refuse to recognize the measurement certificates issued by the Indian Merchants' Chamber are given to me, I shall see what can be done to prevent discrimination, if any, in regard to the Indian Chambers.

6. **Registration of Trade Marks (Non-textiles) in Bombay:** The question is under examination in the Commerce Department. My immediate reaction is and I hope you will agree with it that it is desirable to have a uniform practice in the registration of trade marks for the whole country and that, as far as possible, there should be one single registry for the country. Exception was made in the case of textile trade marks because Bombay had a predominant share of the textile interests. But bearing in mind the number of industries which are concentrated round about Calcutta and also the need for one single registering authority and the uniformity of practice it seems rather difficult to accept this proposal. I am, however, prepared to examine this question.

7. **Shipping, Cables and Scheme for "Assisted Messages":** This matter does not really fall within my sphere, but I would look into it when I go back to Delhi.

8. **Appointment of a Non-Indian as Assistant Shipping Adviser:** He noted the views of the Committee.

9. **Anglo-American Shipping Technical Mission on Ports and Shipping Conditions:** I do not think that there are any grounds for the fear that you have expressed. So far as I am aware, the main function of the Mission was of a technical nature of examining how the turnover of ships can be increased and the congestion in the ports can be removed by quicker loading and unloading. It appears, therefore,

any representation of the commercial community was not thought necessary.

10. **Import Duty on Raw Materials and Component Parts:** The Commerce Member agreed to have the question examined.

11. **Reconstruction Committees:** A very large preliminary data which would serve as the basis of the work of the Committees has been collected. It has, however, not been possible to make any further substantial progress partly due to the absence of Dr. Sir Theodore Gregory abroad and partly due to the preoccupation with war-time problems which demanded immediate attention. I am, however, giving my very serious thought to this matter and I hope that it would be possible to proceed with the work of the Committees in the very near future. I am fully aware of the help and the advice which the commercial community can give regarding the various important problems of post-war reconstruction and I would accept your suggestion that the commercial community should be consulted before any of the recommendations of the Post-War Reconstruction Committees is accepted or implemented.

12. **Import Control on Dyes:** This matter reached me only yesterday and I have had no time to examine it, but I would look into it when I return to Delhi.

APPENDIX 102

Interview with Mr. N. R. Pillai, I.C.S., Commerce Secretary.

Memorandum on the Points for Discussion with Mr. N. R. Pillai, C.I.E., O.B.E., I.C.S., Additional Secretary, Commerce Department, Government of India.

(1) The United Kingdom Commercial Corporation

This organization was formed in April 1940 and from the reports then published it was intended to serve "as a contribution towards the difficulties attending the development of trade with neutral countries." The capital of the company

has been subscribed by the British Treasury. Primarily the company was deemed to be concerned with the trade with Balkan countries, viz. Bulgaria, Greece, Hungary, Turkey, Yugoslavia, etc. With the development of the war situation, however, it extended its activities to certain other countries in the Middle East, viz. Egypt, Palestine, Iran and Iraq. Lately, India has also come within the sphere of its operation. The mercantile community in India view with concern the recent developments arising out of the entry of this Corporation in the business sphere of India. Being a Government body, the Corporation enjoys naturally certain privileges in the matter of securing priorities in allocation of shipping space and priorities in export.

We have complaints that in regard to exports of oil and seeds shipping companies had been instructed by the Ministry of Shipping "to stop all loading of oil, oilseeds and fat for the Middle East on private account except for the United Kingdom Commercial Corporation."

In the matter of exports of yarn preference in shipping space and export facilities is reported to have been accorded to this Corporation. Reports have also reached us that exports to Jeddah, Saudi Arabia, etc., of rice, food-grains, sugar, flour, etc., are mainly now going on account of this Corporation, to the detriment of the established Indian shippers and exporters.

(2) Export Restrictions on Cotton Manufactures

From the 1st of April this year Government have imposed further restrictions on the export of piecegoods and yarn. From the information available, it would appear that exports in future would be limited to the extent of the annual average during the three years ending March 1939, and that if a merchant or an exporter had no share of such past exports to his credit, he would normally not be permitted to export in future. No special provision also seems to have been made in respect of previous contracts made before the coming into force of the new restrictions. Recent developments connected with the war have denied to the country some of its usual export markets and if on the top of this, restrictions are placed in the way of securing new markets or expanding

such of the markets as are still available, the position of the industry and the trade will be jeopardized.

(3) Export Control on Yarn

In the case of control on yarn, there is another special factor which we would like to urge. The control was instituted from January this year primarily, with a view to ensure that supplies of yarn to the handloom industry of the country were available in adequate quantities. The restriction on exports was followed by a decline in prices. It would now appear that the position of the handloom industry so far as its requirements of yarn are concerned is considerably easened and it is therefore reasonable to suggest that the matter should be reviewed and greater facilities for exports allowed.

(4) Freight Position for Export of Oils

In the first place, oil is considered 'bad' cargo, and therefore, comparatively very little space is allocated by the Shipping Companies, which is further curtailed by Government requisition for war materials. Government have in several cases fixed quotas for the export trade according to the pre-war business, but it is not so in the Vegetable Oil trade, with the result that new shippers who could influence the Steamship Companies manage to get the space to the detriment of established merchants. Oil-freight should be allocated on the basis of average past shipments.

(5) Export Licence for Containers

The Export Trade Controller, Bombay, has been authorized to receive applications for export of iron and steel containers ; but we understand that these applications have to be forwarded by him to the Commerce Department, New Delhi, for sanction. This would mean loss of time which can be easily eliminated, if the Export Trade Controller is authorized to decide finally. As regards renewal applications for the licences which expire for want of shipping space available, at present applications have again to be made to Delhi. Such renewals could easily be left to be decided by the

Export Trade Controller. The present time limit of one month for applications is also causing practical difficulties.

(6) Difficulties of Indian Shipping Industry

We would also like to refer to one or two points about the Indian Shipping Industry. At the time the Government of India issued their Notification in September 1940 restricting the movements of the Indian registered ships, we lodged our protest against restricting the movements of Indian shipping to coastal waters, while the movements of British ships remained unfettered. Since then, Burma trade is lost to Indian shipping and there is also a serious contraction of the trade on the Indian coast. On the other hand, tonnage is not sufficient for moving cargo on the overseas routes. We, therefore, requested Government to raise the embargo on the movements of the Indian registered ships. Government gave permission only to one ship to take cargo for the Red Sea ports while the embargo on the remaining ships continues. As against this, the British Ministry of War Transport has, according to our information allowed a certain British Line to put nearly seven ships on this route. They have also been able to secure another ship which will be able to carry 15,000 tons of cargo. All this tonnage was not available to Indian trade as no Indian ship was berthed.

It is now over 30 months since a number of ships have been commandeered by Government for the local naval defence purposes and over 20 months since ships have been requisitioned for the carriage of men, materials and munitions. We understand that all the outstanding questions in connection with those commandeered and requisitioned ships as regards compensation, hire, etc. have still remained unsolved. It has been brought to our knowledge that such questions were solved by the U. K. Government with all their serious pre-occupations of the war, within a period of six months in consultation and agreement with the British shipowners. We would, therefore, most strongly urge upon the Government of India the necessity of not delaying the solution of these important questions on lines which would fully recognize the peculiar position and conditions of Indian shipping, and which are in accordance with the national demand. My

Committee will thank you to let them know how the position stands in this connection.

The necessity of having a representative of Indian shipping on the Export Advisory Committee has been stressed from every quarter in the past and we hope that this will be now recognized by Government. We regret that the Government of India have generally given preference to British Shipping interests as against the claims of Indian Shipping interests. The present war has demonstrated that every maritime country should have its own merchant navy and navy of defence and well-laid out Ship-building Yards. We hope that Government will be pleased to appreciate such a position even now and take steps accordingly.

(7) Claims of Indian Merchants against the Governments of Burma, Malaya, etc.

Indian merchants who were doing business in some of the countries now overrun by the enemy naturally would have claims against the respective Governments in regard to goods covered under local War Risks Insurance scheme, supplies made to Government, both civil and military, goods commandeered, etc. It is necessary to ensure that early steps be taken to secure payment of these claims by the Governments of the countries concerned or by the Colonial Office in cases where such Governments have ceased to function. We would like to have information as to what action Government propose to take in this regard.

Similarly, such merchants had immovable and other properties in the countries in question and the chances of compensation should also be explored.

Mr. Pillai thanked the members of the Committee of the Chamber for the opportunity given to him to meet them and to explain some of the questions engaging the attention of the commercial community at the moment and to try to clear some of the misunderstanding which obviously existed.

The following is the summary of the replies given by Mr. Pillai to the various points raised in the memorandum :

1. **The United Kingdom Commercial Corporation**

Mr. Pillai explained that, as stated by the Committee, the main object which inspired His Majesty's Government to establish the United Kingdom Commercial Corporation was to try and assist the trade between the units of the Empire and the Balkan countries. Subsequently, it was found necessary to extend the sphere of operation of the Corporation to cover trade with the Middle East. So far as the entry of the Corporation into the business sphere of India was concerned, it was not correct to say that any privileges or monopolies covering the whole range of our exports to the Middle East, were being accorded to it. The Corporation was, under certain circumstances, acting as the agents of the Ministry of Food of His Majesty's Government for the purchase of certain articles in this country, but in all such cases it had been agreed that it would make the fullest use of the established trade agencies in the country including, in particular, Indian shippers and exporters.

In reply to an enquiry Mr. Pillai expressed his inability to give any information regarding any arrangement that might be in force between the Supply Department and the Corporation in respect of purchases or requirements of articles the exports of which were under the direct supervision of the Supply Department. He, however, added that so far as articles of general merchandise were concerned, which were all under the Commerce Department, no special treatment was being accorded to the Corporation in the matter of exports of such articles. Incidentally, he mentioned the cases in which the Corporation had the monopoly of right of exporting (viz. wheat for Persia, Rubber Tyres and Tubes, tanning materials, hides and skins) and added that these were cases in which the rights of Indian exporters could not be said to have been seriously affected. So far as exports of wheat to Persia was concerned, he further explained that the said exports were undertaken as a measure of assistance to the Government of that country and came to be accorded special treatment more or less for political reasons. These exports, he added, had now stopped.

Mr. Haridas Madhavdas pointed out how the entry of an institution owned and controlled by His Majesty's Government,

into the sphere of commerce in India was likely to prejudice Indian interests and also to bring down the prices of those articles the exports of which were more or less controlled by the body. He also enquired why in India the Government of this country were not asked to act as Agents of the Ministry of Food instead of the United Kingdom Commercial Corporation being entrusted with this work. In reply to this Mr. Pillai suggested that it was reasonable to expect that one central Association acting all over would be in a better position to achieve the necessary results than a series of local organizations in the different parts concerned.

Regarding the specific complaint of the Committee about the instructions issued by the Ministry of Shipping to confine freight for oil and oilseeds to the Middle East only to the U.K.C.C., he explained that as soon as Government were made aware of these instructions, they had represented the matter immediately to His Majesty's Government and got them rescinded. The position, however, was that owing to war developments, the countries in the Middle East, particularly Egypt, had been made more or less independent of foreign supplies in the matter of oils and oilseeds. Apart from this, as a result of the cutting off of Malaya and Singapore and a reduction in the volume of imports of copra from Ceylon, it was considered essential, in the interests of this country itself, that some check should be applied to the outflow of vegetable oils and oilseeds in large quantities. He however, added that Government expected to be able to make a relaxation in favour of consignments already prepared for export and now in port awaiting shipment. (Under a concession announced later, a quantity of some 3,000 tons has been allowed to be exported).

Regarding the instance of yarn purchase for export to Syria by the U.K.C.C. through the Supply Department, he explained that this was done through a misunderstanding. Yarn exports were controlled by the Commerce Department and steps had been taken to see that in future no such permission was given to the Corporation and that the exports would be confined to the normal channels of trade and any permission that might be given to the U.K.C.C. would be only outside the normal quota and that too without any injury to the ordinary export channels.

Regarding the complaint about special treatment allowed to the Corporation in the matter of exports to Jeddah, Saudi Arabia, etc. Mr. Pillai pointed out that private exports to the extent of the normal pre-war trade had been allowed and that if any exporter did not get any increased share, it was because there was no past trade to his credit. With regard to the permission for exporting a consignment of rice to Hedjaz, he explained that the said consignment was exported on account of the Government of that country and in giving permission to the U.K.C.C. to export the same from Bombay, special instructions had been issued that the supply should not be moved from the Bombay stocks, but that fresh stocks for the purpose should be obtained from Calcutta. Regarding the information placed before him that the said consignment, as a matter of fact, was purchased in Bombay and sent from here, Mr. Pillai promised to look into the matter, if further details were sent to him.

2. Export restrictions on Cotton Manufactures

Mr. Pillai explained that the recent restrictions on the exports of cotton piecegoods had to be examined against the background of the supply position in the country, viz. the maximum production *vis-a-vis* the internal consumption. Since the war, imports had practically ceased, while exports were rapidly increasing. India used to export normally about 250 million yards a year. Last year the exports increased to 600 million yards and applications for licences for exports received in April this year alone counted for 1,150 million yards. Some measure of control, therefore was inevitable in the interests of the country, as otherwise, the question of meeting the domestic requirements would present a serious problem before long. Government provisionally proposed to allow exports of about 850 million yards for the next year. He added that he expected to discuss this matter further with the Millowners' Association and settle the details in the light of the suggestions that might be made by them. It was also found necessary that the available supply for exports should be distributed for political and other reasons, to all the countries from which there were demands in accordance with the minimum requirements of each such country. Consequently, quotas

would have to be fixed separately for each country and such quotas would first be distributed to the old shippers to the extent of their normal trade and the surplus allocated both to the old and new shippers.

3. Export Control on Yarn

He agreed that the yarn position had comparatively eased and Government expected to be able to increase the quota for exports.

4. Freight Position for Export of Oils

Mr. Pillai observed that he was meeting the shipping companies during his stay in the city and promised to go into the question.

5. Export Licence for Containers

He promised to discuss the matter with the Export Controller and to see what could be done in the matter.

6. Difficulties of Indian Shipping Industry

He observed that he would place the views expressed by the Committee in this matter before the Hon'ble the Commerce Member. He also noted the strong views expressed by the Committee on the necessity for appointing a representative of Indian shipping on the Export Advisory Council.

7. Claims of Indian Merchants against the Governments of Burma, Malaya etc.

He pointed out that this matter was at present being examined by the Overseas Department of the Government of India and suggested that the Chamber should get into touch with that Department.

After the Chairman had thanked Mr. Pillai for the patient hearing he had given to the various suggestions made by the members and for the detailed nature of his replies, the meeting terminated.

APPENDIX 103

American Technical Mission

Letter No. 939, dated 27th March 1942, from Chamber to the Commerce Department, Government of India, New Delhi.

The Committee of this Chamber have learnt that an American Technical Mission is coming to India to develop India's industrial resources as rapidly as possible, and to supplement the present production of India if necessary by getting supplies of machinery and materials from the U.S.A. or by putting up more factories here. My Committee do not wish to object to the Government of India enlisting the co-operation of American technical assistance for war purposes or for accelerating industrialization of the country for the production of or procuring the munitions and equipment as a part of their war effort. It may be deemed to be difficult to take any exception to any practical help and guidance that the Mission may give in increasing the production or equipment necessary for the prosecution of the war.

The experience which India had got about the Roger Mission was not, however, a particularly happy one, and she needs to be ever vigilant against the creation of new vested interests, militating against her present or future industrial development. My Committee cannot, therefore, agree to the creation of American vested interests in this country by allowing American private capital to be invested for establishment of industries here; nor can they agree to the acceptance, by implication or otherwise, of any line of economic policy, after the war, which would go counter to the principles of Economic Nationalism or restrict the freedom of India to take such steps as might be necessary to protect her indigenous industries. It will be mortgaging away the industrial future of India, if the indigenous industrial and economic interests are allowed to be wiped out or even subordinated to an Anglo-American economic hegemony and business interests. These aspects of the question are important; and my Committee request that the Government of India will be pleased to give an assurance that such industries as might have to be developed

with American technical or other assistance to meet the situation created by the war, shall either cease to operate at the end of the war or shall pass into the hands of the nationals of the country, and all such industries should be entirely owned, controlled and managed by Indians. The Mission also should not be allowed to interfere with the freedom of India to shape her national economic policy and to grant such protection to the industries under the control of her nationals as may be considered desirable in her own interests.

It is not only in the production and development of raw materials that the future of India lies. Both from the standpoint of industries and National Defence, India should have her own industries and the Government of India will be pleased to see that the American Technical Mission does not in any way conflict with this idea, or bring into existence any forces, potential or actual, which militate against translating that ideal into effective action in the interests of India.

Letter No. A.P. 42|26, dated 14th April 1942, from Government of India, Supply Department, to Chamber.

I am directed to refer to your letter No. 939 dated the 27th March 1942 to the Government of India in the Commerce Department which has been transferred to this Department for disposal. The Government of India do not think that your Chamber need be apprehensive of the activities of the American Technical Mission. The Mission's object is not to engage in any general programme of industrial development in India but to see what can be done to improve India's war production within a reasonably short time. The Government of India do not understand the observation in your letter about the Ministry of Supply Mission, which did nothing whatever to compete with Indian industries. The Mission concerned itself with specialised schemes for the manufacture of weapons, ammunition, etc., which have necessarily to be financed by Government and are of no interest to Indian industry as a whole. The present indications are that the American Technical Mission will follow much the same lines. There is no question of large industries being started with American capital or against the wishes of the Government of India.

Letter No. 1195, *dated* 23*rd April* 1942, *from Chamber to the Supply Department, Government of India.*

I am directed to acknowledge the receipt of your letter No. AP-42(26) of the 14th April on the above subject, contents of which have been noted by my Committee.

In this connection, I am, however, desired to suggest that in order to inspire complete confidence in the Indian Commercial Community about the scope of work of the Mission in this country, it is necessary to associate with them representatives of the Indian Commercial and Industrial Community, and in particular, representatives nominated by the Federation of Indian Chambers of Commerce & Industry. Such non-official association should be secured in all the stages of the discussions and deliberations of the Commission and should not be in a merely consultative capacity as was the case at the time of the Roger Mission. In short, the non-official representatives should have an effective voice in the formulation of plans arising out of the discussions with the Mission.

My Committee hope that Government of India will be pleased to accept the above suggestion and to take the necessary steps at an early date.

*Letter No. A.P./W.I.*42(26), *dated* 28*th April* 1942, *from Supply Department, Government of India, to Chamber.*

I am directed to refer to your letter No. 1195, dated the 23rd April 1942, on the subject of American Technical Mission. The Government of India have noted your suggestion that representatives of the Indian commercial and industrial community should be associated with all the stages of the discussions and deliberations of the Mission, but they do not regard it as practicable to accept the suggestion in this form. The Mission will make up its own mind about what help it should recommend the American Government to give India in order to enable her to expand her war effort, and Indian representatives can hardly assist at that stage of the Mission's proceedings. Your Chamber will doubtless have noticed that the Mission has already interviewed leading representatives of Indian commerce and industry, and that it intends to see more representatives during its visits to Calcutta and Bombay. The

Government of India feel that these interviews will fully serve the purpose which your suggestion was designed to meet, and that no further action is necessary on their part.

Letter No. 2147, dated 9th May 1942, from Chamber to Supply Department, Government of India.

I am directed to acknowledge receipt of your letter No. AP|W.I.42(26)1, dated the 28th April 1942, on the above subject. My Committee note that the Government of India do not consider practicable the suggestion that the commercial and industrial community should be associated with discussions and deliberations of the Mission at this stage, when the Mission will have to make up its own mind about what help it should recommend to the American Government to give India in order to enable her to expand her war effort. My Committee are also aware, as mentioned in your letter, that the Mission has already interviewed leading representatives of Indian commerce and industry and that it intends to see more representatives during its visits to Calcutta and Bombay.

My Committee, however, feel that the active association of the representatives of Indian commerce and industry with the American Mission is absolutely essential if its results are to be fruitful. Apart from the stage of investigations, when the stage of formulating decisions and making recommendations is reached, such association will be useful and in fact indispensable for the purpose which the Mission has in view. It will be evident that expansion of production in India for war purposes can take place with the active collaboration and co-operation of commercial and industrial interests. The Mission can formulate a practicable and immediate plan for the purpose with the assistance of the Government on the one hand and the commercial and industrial interests on the other. My Committee are aware that the report of the Mission will in the first instance be submitted to the Government of the U. S. A. and a copy of it will be forwarded to the Government of India. As, however, Indian commercial and industrial community is vitally interested in such recommendations as would be made by the Mission and as it would be able to contribute effectively to the formulation as well as execution of such recommendations, it is very desirable that they

should be taken into fullest confidence by the Mission as well as the Government in this respect. My Committee would, therefore, like to be assured that before the recommendations of the Mission are finalised and submitted to the proper authorities in U.S.A. and in India, Indian commercial and industrial interests should be effectively consulted and that no action should be taken on such recommendations before the Indian commercial and industrial interests are given adequate opportunities of examining them and expressing their views thereon.

As regards the informal talks and interviews which the Mission has already had with the leading commercial representatives, my Committee would like to point out that so far as they are given to understand, these interviews have been useful in establishing contacts and removing misgivings and apprehensions which were entertained by the Indian commercial community as regards the object and outcome of the American Mission. But they would like to add that according to their information, the Mission has not discussed the question of the expansion of India's war effort with the representatives whom it recently met. The consideration of the problem of expansion of industrial production in India for the more effective prosecution of war is the primary object of the Mission and my Committee, therefore, feel that in this task there should be active and constant association and co-operation between Indian industrial interests and the Mission.

Telegram dated 11th June 1942, from Chamber to the Supply Member, Government of India.

Committee Indian Merchants Chamber have seen Press Summary Report of the American Technical Mission. They strongly feel that in order to enable the country to have a more correct and detailed appreciation of the recommendations and suggestions of the mission the report in full excluding information involving military secrets should be published. They further suggest that the Indian commercial community should be taken into confidence and an opportunity should be given to commercial bodies to express their opinion on the recommendations before Government themselves formulate their decisions thereon. Committee would like to be further informed if any agreement between the Government of India

and Government of United States of America in regard to leaselend arrangements has been made and if so details of same should be released for public information. In this connection it was reported that Governments of United Kingdom and U. S. A. had entered into an agreement relating to postwar trade relations as part of leaselend arrangements. Committee request that terms of said agreement should be made available to the commercial community in this country. They would like specifically to be informed if India is a party to or covered by the said Anglo-American agreement.

Letter No. A.P.-42(19), dated 9th July 1942, from Supply Department to Chamber.

I am directed to refer to your letter No. 2397, dated the 11th June 1942, to the Hon'ble Supply Member confirming a telegram sent by you on the same date regarding (a) the report of the American Technical Mission, and (b) Lease/Lend arrangements.

2. I am to say that the Government of India following the suggestion made by the Mission do not intend to publish their report, and that the summary already published embodies without exception every recommendation made by the Mission. If the Indian Merchants' Chamber desire to make any suggestion they are invited to do so on the basis of the summary already published. It will be clear from the summary that the report contains many recommendations of widely different kinds, and the persons affected by any action to be taken thereon will be consulted at the appropriate time.

3. No agreement has been concluded between the Government of India and the Government of the United States in regard to Lease/Lend arrangements. The Government of the United Kingdom and the Government of the United States have entered into an agreement on the principles applying to mutual aid in the prosecution of the war, which has been published in the United Kingdom and has appeared in the Indian Press. A copy* of this agreement is enclosed. The Article dealing with post-war economic relations is Article 7 to which your particular attention is directed. If the Indian Merchants' Chamber wish to make any further communication to the

*Not printed.

Government of India on this subject, I am to request that it be addressed to the Commerce Department.

APPENDIX 104

Post-war Reconstruction

Letter No. W. 391, dated 4th March 1942, from Political & Services Department, Government of Bombay to Chamber.

As you are aware, the Government of India have decided to set up certain committees to survey the problems that are likely to arise at the end of the war and to prepare such plans as may be considered suitable. The main question of post-war reconstruction will thus be considered by the Government of India. It seems, however, advisable, in the opinion of the Government of Bombay, to consider the short-term post-war problems likely to arise in this Province on account of the change over from a war-time to a peace-time industrial economy and the measures to be taken to tide over the possible dislocation of industry and labour. Government would, therefore, be glad to have the views of your Chamber on the desirability of considering this matter at this stage and also any suggestions which your Chamber may like to make in this connection.

Letter No. 2469, dated 19th June 1942, from Chamber to Political and Services Department, Government of Bombay.

The Committee of this Chamber have considered your letter dated 4th March 1942, No. W.391 and its accompaniments and the earlier correspondence. A Special sub-Committee was appointed to go through all these papers and at their suggestion I am now directed by my Committee to inform the Government of Bombay that it would be the best thing if a Committee is appointed by the Government of Bombay to consider the suggestions and recommendations before all the four Committees appointed by the Government of India. This provisional Committee will not be restricted to one aspect of the question but will have to prepare a sort of a synthesis of all the questions from the point of view of the Province. Presumably, the Government of Bombay will be forwarding their views to the Government of India with reference to the work

before all the four Committees, and the appointment of such a Committee as we suggest may be very helpful in the formulation of those views. The said Committee may also deal with the Note prepared by Mr. Knight and the draft Bombay Lend Improvements Scheme Bill, both of which are concerned with post-war reconstruction problems. My Committee strongly urge that the Committee which they propose should have a non-official majority representing commercial and industrial interests.

APPENDIX 105

Non-acceptance of Policies of Indian Insurance Companies

Letter No. 3876, dated 26th November 1942, from Chamber to Chairman, Exchange Banks' Association, Bombay.

I am directed by the Committee of the Indian Merchants' Chamber to refer to the correspondence they had with you in the years 1938 and 1940 on the question of the difficulties experienced by Indian merchants and Indian Insurance Companies through the reluctance on the part of the Exchange Banks to accept policies issued by Indian Insurance Companies. You had, in your letter dated 27th September 1938, assured my Committee that—

> "no impediments of any nature are placed in the way of Indian Insurance Companies by Exchange Banks, and that no prejudice against Indian Insurance Companies, as such, exists."

You further observed that the members of your Association had limits for all Insurance Companies and each limit was fixed in relation to the standing of the individual company concerned. In view of the above assurances, my Committee did not think it necessary to pursue the matter at that stage.

The attention of my Committee has now been drawn to the recent instructions, which appear to have been issued by the Eastern Exchange Banks' Association to the effect that the British Bankers' Association have ruled that bank credits calling for insurance by British Companies meant insurance with companies, whose head offices were domiciled within the United Kingdom. Accordingly, it would appear that the

Exchange Banks operating here are insisting on insurance with a company registered within the United Kingdom while negotiating any Bills. My Committee further understand that the use of the term 'British Companies' for the purpose of such instructions is not new and that in the past the said term was deemed to cover companies registered in the Dominions, including Indian Companies. They are unable to appreciate the need for, or the justification of, any revised instructions dealing with the definition of 'British Companies', which would have the effect of excluding Indian registered companies for the purpose of such insurance.

My Committee further have to point out that even if the British Bankers' Association in its anxiety to be strictly legal in the interpretation of such a common expression as 'British Company' had excluded companies registered in India, it was up to the member of your Association to point out that such exclusion would not be fair and was likely to lead to resentment in this country. The Banks working in India are definitely in a better position to know the circumstances here and to advise their principals and correspondents, who are associated with the British Bankers' Association, that there was no need to exclude Indian Companies and that the term 'British Company' should be deemed to cover the same. It is particularly unfortunate that, at a time like the present, when steps for the establishment of more cordial relations between British interests and Indian interests are called for, such issues should have been allowed to arise.

My Committee hope that the Exchange Banks in Bombay would consider this matter and take such steps as would do away with the restriction under reference and result in policies of Indian Insurance Companies being accepted freely.

APPENDIX 106

Monopoly for Importation of Cotton Piece-goods into East Africa

Telegram dated 26th November 1942, from Chamber to the Commerce Department, Government of India.

Attention of Committee Indian Merchants Chamber drawn to proposal of East African Government to form corpo-

ration known as utility Textile Importing Corporation to be given monopoly of importing from India textiles popularly in use in that country. Committee strongly opposed in principle to any such system of monopoly as same even in normal times and circumstances will prejudicially affect bonafide trade and producing interests. Committee apprehend serious reactions on Indian Cotton Producer and Cotton Textile Manufacturer on account of proposed step. Membership of said corporation will be confined to previous importers with prescribed shares and others approved by East African Government. It is further proposed that the corporation would be allowed to import only specified and standardised varieties in order facilitate price control. Committee strongly protest against this encroachment on Indian trade interests built up after years hard and pioneer labour. While they recognise that East African Government entitled take reasonable steps for preventing profiteering committee emphatically urge that no attempts be made in name of protecting consumers interests to put fetters round existing channels of trade in a manner which would involve injustice to established business interests. Committee cannot help recalling the Zanzibar parallel wherein in so-called growers' interests it was sought to create monopoly for handling of cloves. But for timely and emphatic protests made by Indians clove trade would have gone completely out of their hands. Committee request Government to be pleased to represent matter to East African Government with a view to the proposal being abandoned.

APPENDIX 107

Welfare Measures for the Benefit of Labour

Letter No. L.O. 6685, dated 27th August 1942, from Commissioner of Labour, Government of Bombay, to Chamber.

In continuation of my letter No. L.O. 6373, dated 20th August 1942, I have the honour to forward for your information copies* of the letters addressed by the Department of Labour, Government of India, to the All-India Organisation of Industrial Employers and Employers' Federation of India

*Not printed.

on the above subject and to request you to acquaint your members with the labour welfare measures suggested by the Government of India in their various communications to these organisations.

Letter No. 3168, *dated 2nd September* 1942, *from Chamber to the Commissioner of Labour, Government of Bombay.*

I am directed to acknowledge the receipt of your letter No. L.O. 6373, of the 20th August 1942, on the above subject, and to say that the same is being circulated among members of the Chamber.

In this connection, I am to refer to the suggestion contained in sub-para (d) regarding remittance facilities to the families of employees. It is recommended that employers should arrange for remittances by Money Order at their expense. My Committee feel that it would be more appropriate and at the same time practicable if Government were to make arrangements with the Postal authorities for the transmission of such remittances free of cost, i.e., the cost of making such remittances for the benefit of the families of the employees during the present times should be borne by Government themselves. If such a concession were to be granted by Government, my Committee have no doubt that the same will be very much appreciated.

APPENDIX 108

Remittances from Madagascar

Letter No. 2825, *dated 29th July* 1942, *from Chamber to External Affairs Department, Government of India.*

I am directed by my Committee to bring to the notice of Government the hardships experienced by Indians who have returned from Madagascar in the matter of obtaining remittances.

Before the fall of France, remittances could be made between India and Madagascar. After the fall of France, interchange of communications and money transactions between India and Madagascar were prohibited. Mail communications, however, have been resumed after British occu-

pation, but facilities for remittances are not yet available, with the result, that Indian businessmen who have evacuated from Madagascar to this country find it extremely difficult to make payments to their staff, etc.

The following case has been brought to the notice of my Committee wherein considerable hardship is being experienced by the party concerned in the above matter.

My Committee are informed that there are nearly twenty-five Indians in Madagascar serving with the firm of Messrs. Ahmedali Yusufali Bros., who have branches at various places in Madagascar. Mr. Ahmedali Yusufali, the proprietor of the firm, who is now in India used to get remittances from Madagascar in order to make payments in India to the families of the members of his staff in Madagascar. The ban imposed on remittances from Madagascar to India might appear reasonable after the fall of France, but having regard to the situation prevailing at present when Madagascar is under British occupation, the ban on remittances cannot be justified. My Committee are further informed that this question does not only affect Mr. Ahmedali and the group of his twenty-five employees but it affects about eight thousand families.

My Committee hope that Government will realise the hardships to which persons like Mr. Ahmedali are put to in view of their liability to maintain their staff and their families and dependents, and earnestly request Government to make necessary arrangements to obtain facilities for remittances from Madagascar.

Letter No. 9834-X 42, dated 14th November 1942, from External Affairs Department, Government of India to Chamber.

I am directed to refer to your letter No. 3657 of the 3rd November and to say that you will have seen from the newspapers that fighting in Madagascar terminated only a few days ago. It will be appreciated that some time must lapse before the ordinary peace-time amenities can be restored to this island. You can rest assure that one of the first measures which will be taken will be to restore all postal financial facilities.

APPENDIX 109

Representative of Retailers on the Consultative Committee for Price Control

Letter No. 2380, *dated* 10*th June* 1942, *from Chamber to General Department, Government of Bombay.*

The Committee of this Chamber have long since been receiving complaints from the Bombay Grain Dealers' Association on the score of no seat being found for them on the Consultative Committee regarding Price Control, where the interests of consumers as well as the wholesalers are represented. My Committee have considered this question and are of opinion that the retailers, who are represented by the Grain Dealers' Association, have also a vast interest at stake with regard to the question of price control, and as such they should be given representation on the Consultative Committee. Under the circumstances, I am directed by my Committee to request Government to be pleased to provide for representation of the Bombay Grain Dealers' Association on the said Consultative Committee.

Letter No. 5|6892-*H, dated* 25*th June* 1942, *from General Department, Government of Bombay to Chamber.*

With reference to your letter, No. 2380, dated the 10th June 1942, on the subject mentioned above, I am directed to state that the members of the Consultative Committee were not selected to represent trade associations, and Government therefore regrets that it is unable to agree to the request that a representative of the Grain Dealers' Association should be nominated on the Committee.

2. I am also to point out that Government generally consults your Association in all questions affecting grain dealers, and this will continue to be done in future.

Letter No. 2610, *dated* 9*th July* 1942, *from Chamber to General Department, Government of Bombay.*

I am directed to acknowledge the receipt of your letter No. 5|6892-H, dated the 25th June, 1942. My Committee note that members of the Consultative Committee were not selected to represent trade Associations. However, on going through the list of members, it is observed that there are a

number of persons who are directly engaged in the wholesale trade and as such could be expected to place before that body the viewpoint of the wholesale trade in regard to matters coming up before them. The retail trade finds no such representation. It will be admitted that the Price Control and the various arrangements thereunder affect very intimately and directly the retail trade and it would be an advantage to both the Consultative Committee and the trade if a person closely acquainted and connected with retail trade were taken on that Committee.

My Committee, therefore, strongly feel that the inclusion of a person drawn from the retail trade on the Consultative Committee is necessary and request that Government will be pleased to accept the suggestion and to appoint such a person without further delay.

Letter No. 5-11978-H, dated 15th July 1942, from General Department, Government of Bombay to Chamber.

With reference to your letter No. 2610, dated the 9th July 1942, on the subject mentioned above, I am directed to state that it is regretted that your suggestion for the inclusion of a person drawn from the retail trade on the Consultative Committee cannot be accepted. The retailers' interests will be safeguarded by special consultations with their Associations whenever necessary.

Letter No. 2752, dated 24th July 1942, from Chamber to General Department, Government of Bombay.

I am directed to acknowledge receipt of your letter No. 5-11978-H, dated the 15th July 1942 on the above subject. My Committee very much regret that Government have not seen their way to accept their suggestion for the inclusion of a representative of the retail trade on the Consultative Committee. This suggestion was made with a view to facilitate the smooth working of the machinery of price control. It will be acknowledged that the retail trade, which plays an important part in the matter of distribution of foodstuffs and other supplies to the consumers, is directly and intimately concerned with the working of any scheme of price control particularly in regard to daily necessities of life and it will facilitate the smooth functioning of all such controls if the

advice and the active co-operation of the retail trade is enlisted beforehand in settling the details and the procedure prescribed for the different controls. My Committee cannot help pointing out that the disadvantages consequent upon the absence of such an active and direct consultation were illustrated in some of the recent developments connected with the control relating to sugar and rice. They feel strongly that such incidents should not be repeated, and, therefore, reiterate very strongly their view that Government will be well advised in including a representative drawn from the retail trade on the Consultative Committee.

My Committee hope that Government will see their way to accept the above suggestion.

Letter No. 5|14740-H, dated 3rd August 1942, from General Department, Government of Bombay to Chamber.

With reference to your letter, dated the 20th July 1942, on the subject mentioned above, Government regrets that it is unable to agree to the proposal. However every effort will be made to maintain close contact with the Grain Dealers' Association.

2. Government does not desire to enter into a discussion of the reasons which led to the recent episode referred to by you, but it wishes to point out that, whatever may be the reasons which led to it, absence of direct and active consultation was not one of them, as the President of the Bombay Grain Dealers' Association often sees the Director of Civil Supplies or one of the Assistant Directors, and every possible consideration is given to the needs of the members of the Association.

APPENDIX 110

Scarcity of Articles of Foodstuffs

Letter No. 3112, dated 27th August 1942, from Chamber to General Department, Government of Bombay.

The Committee of this Chamber have seriously been considering the situation as it has presented itself during these days in the matter of supplies and distribution of articles of

foodstuffs and necessaries of life. They had occasion, sometime ago, to address Government on the question of supplies of wheat. They would, in this communication, confine their observations particularly to the question of supplies of rice and jowar.

2. The stock position in regard to rice in Bombay appears to be extremely unsatisfactory. From a statement issued by the Bombay Rice Merchants' Association, a fortnight back, the stock available with wholesalers was reported to be only about 100,000 bags. This stock must since have been substantially reduced. The complaints of the wholesale merchants regarding the fixation of prices for superior qualities of rice and regarding increased rates for certain varieties of controlled qualities have, more or less, been met. The main problem, therefore, so far as the wholesale trade is concerned, is getting additional adequate supplies.

3. The chief difficulty here is of transport. Merchants have already acquired stocks at producing centres which are still awaiting transport. In view of the extremely unsatisfactory stock position Government should make it possible, by providing adequate number of wagons, to import stocks into the city.

4. My Committee understand that Government are directly importing 6,000 tons of rice per month from Bezwada and the surrounding districts. My Committee further understand that the Government have, in their stock, over 100,000 bags of rice in Bombay, and that some stocks of Jowari are coming in from Hyderabad (Deccan) and hence a small stock of this commodity has been built up in the city by Government. In spite of this import of rice and other foodstuffs my Committee are seriously perturbed over the great difficulty experienced by the consumers in obtaining their supplies of these commodities. Long queues of consumers in front of the Government cheap grain shops awaiting their supplies speak for themselves. Retailers have similarly to wait for hours at the office of the Assistant Director of Civil Supplies, Carnac Bunder, for obtaining permits and then at the Government godowns they have to wait their turn at DeLisle Road and Sewree for obtaining their supply. My Committee

feel that if these conditions are allowed to persist, a serious position in rice and jowari and other foodstuffs might arise for the consumers in Bombay. Immediate action is, therefore, called for to see that the consumers and retailers get their proper supplies in a manner that involves the least hardship.

5. The permit system of import and distribution of these commodities by the Government of Bombay has not only failed to relieve the food shortage in the city, but has added very greatly to the difficulties felt by the consumers in obtaining their supplies of the same. Six thousand tons of rice are not at all sufficient for the requirements of the city of Bombay and of the Presidency. Government should make efforts not only to increase its quota from Bezwada and surrounding districts, but should make further efforts to secure supplies of rice from centres like Bihar, Bengal and Sind. Proper reserves of stocks should be built up in Bombay for the use in an emergency and rice must be made immediately obtainable to consumers through the normal channels of trade to which they are accustomed and which have been catering for their needs for the last several decades. My Committee, therefore, feel that instead of Government importing rice and jowari and distributing the same in Bombay, the imports should be left to the wholesale merchants who have carried out this function in a most efficient manner and will continue to do so in future as they have done in the past.

6. A further point may be mentioned here. My Committee are reliably informed that the wholesale merchants hold large stocks in their hands in Bezwada and Bengal and if they are given transport facilities to bring this rice into Bombay, it will greatly relieve the food position of this city. The Railways, however, may be unable to supply sufficient number of wagons for the transport of rice from these places into Bombay. The Central Government should, therefore, be approached to make available a steamer to be berthed at Karachi and one at Calcutta and Coconada, where sufficient stocks of rice are available, and this rice should be imported by sea. The merchants may not be able to bear the additional burden involved by way of high insurance premia, and

if the Government were to carry the risk upon themselves, the food position of Bombay would be greatly relieved.

7. If Government find some difficulty in obtaining wagon priorities for the merchants, this can easily be solved. The wagons may be supplied at the various centres to merchants on condition that the goods will be consigned to the Director of Civil Supplies. The Director may then endorse the Railway Receipt in favour of the merchant when the Railway Receipt is presented in Bombay. If any eventuality arises, in the opinion of Government, when they would like to conserve certain stocks for themselves for use in any emergency, Government may, instead of surrendering the Railway Receipt, take delivery of the consignment from the merchant concerned after paying for the same a price which included a reasonable margin of profit. This will not only solve the difficulty of obtaining wagons but will also retain the trade in its normal channel as well as make available to Government information regarding the import and stocks of these commodities in Bombay.

8. Having discussed above the question of importing rice through the regular channels of trade, it may not be out of place here to tackle the matter of distribution of rice and other food grains. Fifty or hundred Government grain shops cannot cater for the large needs of the city of Bombay, which maintains about 3,500 retail shops. Under competitive economy, it will be realised that no retailer would remain long in business unless the need for his services was felt by the community and therefore, it is absolutely essential that the distribution of various food grains should take place through these retail shopkeepers. It is not suggested here that Government grain shops should be done away with; on the contrary, they are necessary in view of the fact that as they obtain continuous supplies and as their prices are not governed by the laws of demand and supply, they help very greatly to maintain economic prices in the city and by healthy competition they are able to help Government in maintaining proper prices for essential food grains in the city. But the purpose of these shops must be only that of supplementing, and whereever necessary, of competing with the retailers, and not that of supplanting the retailers.

9. Retailers are now required to take out a licence and permits should be given without delay or difficulty to all such retailers for securing full supply of their requirements. The permits should, at the same time, operate in the nature of delivery orders on a specified wholesaler, who has the necessary stocks. Government have already got information about the stock position with the different wholesalers, from the returns regularly submitted by them. The satisfactory functioning of the present permit scheme is dependent on the ability of the retailer to arrange with the wholesalers, on a basis of mutuality, for the supplies to him of the necessary quantities ; it will not, however, work smoothly, if, for any reason, stocks are withheld from sale. It could only be met by making it obligatory on the wholesalers to tender the necessary supplies to the retailers on production of permits, as a matter of course.

10. To meet the immediate scarcity, liberal supplies should be released from Government stocks direct to the retail trade. If thus arrangements for securing adequate supplies to all the retailers are facilitated, the consumers will naturally be relieved of a good deal of inconvenience which they have at present to undergo. Over and above this, Government cheap grain shops may also be increased in number and the present ration fixed for a person at one time may well be increased so that the consumers may not be obliged to go to the Government shops more frequently.

11. Distribution of supplies to the public can be ensured only if the retail trade, which is the main artery through which the supply system works, is allowed an incentive to continue the trade. They must be assured of a reasonable margin of profits, and for this purpose the retail prices fixed by Government should take fully into account all the incidental charges which have necessarily to be incurred by the retail traders. Complaints have been made that the margin allowed at present is too low, having regard to the restricted turnover these days, and the same should, therefore, be increased. My Committee are aware that Government had recently sanctioned a small increase from annas eight to annas ten per maund of rice. This margin still appears to be not

adequate, and my Committee suggest that the matter should be re-examined with a view to a sufficient margin being allowed. My Committee are informed that when a retail trader gets a permit and on the basis of that gets his stock from Government, he has to put that in any one of the carts which are waiting there. These carts are charging something like Rs. 3 to Rs. 5 for taking this stuff to the shop of the retailer, and since only four bags are allowed at a time, it practically means annas 12 to 20 per bag as transport charges for getting the same to the shop. This supports the case for a re-examination of the margin allowed for retailers. In this connection, my Committee would point out that the present arrangement of having Government godowns at Sewree and Delisle Road is found to be extremely inconvenient to the trade, as the place is quite out of the way, and merchants have to wait for considerable time in taking delivery and arrange for the transport of their supplies. They would, therefore, suggest that Government godowns should be more centrally located, i.e., in a place in the vicinity of the wholesale markets. My Committee would also suggest that, instead of the supply of four bags at a time as at present, retailers should be given supplies to the full extent of a cartload at a time or even more, according to their requirements. Besides saving frequent trips to the Government godowns for getting supplies, this will also help to reduce the incidental charges to be incurred by the retailers in handling the supplies.

12. Complaints have also been made that the procedure in regard to the issue of permits is far from satisfactory. Merchants are obliged to wait for a considerable time in getting the necessary permits. The procedure should be simplified; in consultation with the trade and the departmental staff attending to this work should also be increased considerably.

13. In regard to supplies of Jowar, considerable difficulty is being experienced by the consumers at present. Government, it appears, have been able to secure supplies from the Nizam's territories at reduced rates; but Government stocks are being sold only through their own shops. In view of the small number of such shops, the supplies cannot reach

all the consumers, and there is no reason why Government should not release these stocks at the reduced prices through the retail trade, so that Jowar will be available cheaply in the open market.

14. Another suggestion my Committee would like to make, is that Government should take the trade into confidence in all their measures and proposals regarding control arrangements and the formalities connected therewith. If all such steps are taken in consultation with the trade, both wholesale and retail, the latter in their turn will be glad to give their fullest co-operation, so as to enable the whole scheme to work smoothly. My Committee further feel, and this feeling is shared by several other Associations in the city that the present Price Control Consultative Committee should be expanded. Government should take on the Consultative Committee people who are in day-to-day touch with the commercial community and recommendations made by such a Committee should be adopted by Government unless there are insurmountable difficulties in the way. If this is done, a solution will be found of the present situation. My Committee feel that unless such a representative body is formed, which has the confidence of the trade behind it, it will not be possible for the various grievances of the mercantile community to be mitigated.

15. My Committee would emphasise, in conclusion, that it is a matter of extreme importance at this juncture, that, in order to keep the morale of the public, the question of securing adequate supplies of foodstuffs and ensuring their proper distribution to the consumers, requires to be seriously and earnestly pursued. If the existing state of affairs is allowed to continue, it is bound to result in great discontent and consequent unsettlement of the normal functioning of the life of the community. My Committee hope and trust that Government appreciate the extreme importance of the problem and will be pleased to move in the matter without any delay.

APPENDIX III

Export of Rice to Ceylon

Telegram dated 12th September 1942, from Chamber to Commerce Department, Government of India.

Committee Indian Merchants Chamber are informed that large quantities of rice are being exported to Ceylon. Committee will have no objection to export of essential foodstuffs to India's neighbours but the situation in India with regard to foodstuffs is extremely difficult and precarious. There is an actual scarcity of wheat, rice, millets, etc. and it is felt that there is a growing danger that such a scarcity may lead to starvation in certain quarters. Already the situation is grave with regard to availability of foodstuffs and there is the question of soaring prices in certain parts of the country and the poor and the middle class population are threatened with scarcity if timely measures are not taken. Committee are in communication with the Government of Bombay with regard to all such problems but in the meanwhile appeal to the Government of India not to allow any exports of foodstuffs to foreign countries if they are not assured that the Indian people will be able to get their requirements of food supplies even if such exports are allowed.

Telegram dated 21st October 1942, from Chamber to Commerce Department, Government of India.

Committee Indian Merchants' Chamber addressed a telegram on 12th September requesting Government not to allow any exports of foodstuffs to foreign countries if they were not assured that Indian people would be able to get their full requirements even if such exports were allowed. Committee have not received any reply. Meanwhile they understand that forty thousand tons of rice have already been sent to Ceylon from Karachi. Presumably much greater quantity has been sent from other ports like Madras. Situation in Bombay regarding foodstuffs in general and rice in particular not happy. Rice is the staple food of a large section of people here. The problem therefore becomes very complicated when people cannot get rice or only after much difficulty. Appeals are made by Government to change from

rice to millets and vegetables. There can be no change from cereals to vegetables only and it would be difficult to jump at once from rice to millets. In times of scarcity of course people will take anything but Committee consider that Government should try all their resources to provide rice to people of the country. They should at least not accentuate it by allowing exports of rice. Over and above forty thousand tons of rice referred to Committee are informed arrangements have been entered into between Governments of India and Ceylon for supplying twenty thousand tons of rice every month. The population of the country has recently been greatly added by troops and refugees. Looking to all these Committee request Government to be pleased to stop all exports of rice to Ceylon specially when Ceylon Government manifested anti-Indian tendencies of pronounced character sometime back and even now it is not clear whether they have overcome these tendencies and whether they have given any assurances in this regard.

APPENDIX 112

Shortage of Wheat in Bombay

Letter No. 1100, *dated* 14*th April* 1942, *from Chamber to General Department, Government of Bombay.*

I am directed by the Committee of the Indian Merchants' Chamber to address Government in connection with the situation created by the acute shortage of supplies of wheat in the City and consequent perturbation in trade circles and among the consuming public. As the Honourable Member for the Department of Education, Health and Lands, Government of India, recently observed, " the morale of nation in war depends on its food supplies " and as such, my Committee attach great importance to a solution of the immediate difficulties in regard to supplies of foodstuffs, particularly wheat, and the adoption of plans and programmes whereby adequate and timely supplies may be assured to the City.

My Committee understand that the present stocks of wheat in the City are extremely low ; in fact according to reports which they have received, the trade stocks may not cover the requirements of the population of the city even for

a few days. Government will have no difficulty in getting this information confirmed from the returns of stocks which trade interests are now required to submit.

The province of Bombay produces about 3 lakhs tons of wheat annually. The provincial consumption, however, has been estimated at about 7 to 8 lakhs tons. Bombay is thus dependent on external sources for meeting the deficit. The chief producing centres with an exportable surplus, from where Bombay gets her additional requirements of wheat, are the U.P., the Punjab, Sind, C.P. and to a comparatively smaller extent some of the neighbouring Indian States. The main centres of production and consequently of supply to Bombay, however, are the Punjab and Sind. The yield in 1939-40 in the former provinces, was over 37 lakhs tons in the latter over 3 lakhs tons. The other two supplying provinces, viz., C.P. and U.P. had an yield of over 6 lakhs tons and 31 lakhs tons respectively. From an examination of the crop position as disclosed by the above figures, it is obvious that Bombay is dependent on the quantities released by the main producing provinces, viz., the Punjab and Sind and to a smaller extent by the supplies from C.P. and U.P.

Due to certain recent developments connected with the wheat trade, however, into the details of which it is not necessary to go at this stage, there was a serious check to the flow of supplies from these provinces. Lately all the above provinces had imposed a ban on exports outside the province except under permits issued by the Government of the Province. The direct effect of this prohibition and the psychological repercussions thereof have naturally dislocated the normal methods of marketing and obtaining supplies with the result that a consuming province like Bombay, which is dependent mainly on external sources for a substantial portion of its supplies, had to bear the immediate brunt of this dislocation. It is encouraging to know that the Sind and U. P. Governments have, a couple of days back, lifted the ban and exports from that province may now be permissible.

So far as the other supplying provinces are concerned, Government should start immediate negotiations for the lifting of the ban or for the relaxation thereof, so as to permit

exports to this province and to the city to the full extent of our normal consumption. The task of getting the necessary permission from the Provincial Governments concerned, is one which can be undertaken and fulfilled only by the Government of Bombay as such and it will perhaps be readily agreed that a solution of this part of the difficulty cannot be expected to be achieved by private efforts. My Committee urge that Government should immediately move in this direction and secure the necessary permission from the Provincial Governments in question.

It is understood that the Government of India propose to regulate the movement of wheat from 1st May 1942. The Government of Bombay should see to it that in the new arrangements the Central Government make full provisions for the supply of the requirements of Bombay.

The next question to be tackled is in the matter of facilities for transport of supplies to be released from the producing centres to Bombay. Here again, in view of the acute shortage of transport, particularly railways, and the rigidity of control now exercised in the allotment of wagon space, it is a matter which will have to be pursued and tackled by Government authorities. My Committee are aware that of late Government have been giving some thought to this subject and a system of limited priority for transport of articles of food is in vogue. What is, however, required is that having regard to the necessity for moving large quantities of supplies, and that too without any loss of time, the facilities made available for this purpose should be considerably increased, and requirements of wagons should be met in full. The feasibility of moving a part of the supplies by road particularly from centres in the C. P. may also be fully examined. After supplies of stock are ensured, the next stage is the arrangement for the proper distribution of the supplies to the consuming public. Here the normal channels of the trade, viz. wholesale and retail dealers are and may be expected to function efficiently and effectively ; at the same time, it is of importance that care should be taken that, in the administration of the control on prices which is now existing, obvious anomalies are avoided. My Committee have particularly in mind

the reported disparity in the margin for the retail traders of wheat allowed under the maximum prices, wholesale and retail, at present obtaining. Having regard to the fact that in retail trade incidental expenses have to be added and that provision has to be made to a certain amount of loss inevitable in distribution in small lots, adequate margin should be allowed.

There is one other important consideration connected with the problem of securing and maintaining adequate supplies of foodstuffs particularly wheat to which my Committee would like to draw prominent attention and that is this. In view of the existing uncertainty in the general situation and the consequent lack of confidence, the merchants by themselves may not carry, as usual, sufficiently large stocks. It is therefore, necessary that Government should arrange to have a reserve stock in the different centres in the City and in the Presidency which may be made available to the trade and consumers in times of actual shortage or emergency. As far as possible, the existing normal channels of trade should be encouraged and allowed to carry out all the operations connected with the acquiring, maintaining and distribution of supplies of wheat and foodstuffs. This reliance on and utilisation of the normal trade machinery will lessen the task of Government. At the same time, as a measure of protection against any breakdown or extreme emergency, it would be part of prudence to lay-by on Government's account sufficient stocks. It is the opinion of my Committee that supplies at least to last the population for a period of not less than six months should be conserved in this manner.

In connection with securing supplies from the provinces with an exportable surplus Government will have to bear in mind an important factor. The marketing conditions in the supplying provinces of U. P. and C. P. and Sind are such that the major portion of the year's crop is disposed of within two months from the time from which the crop begins to move. Supplies from these provinces will, therefore, have to be acquired during these two months in sufficiently large quantities as to meet our provincial requirements for the whole year, i.e., till the next crop. So far as the Punjab is concerned,

however, the marketing operations are spread over the year. My Committee are emphasising these aspects in order to impress upon Government the necessity of covering the full requirements of the province immediately the new crops begin to move.

My Committee trust that Government will be pleased to give this matter their early and serious consideration and take such steps as will help to restore confidence in the people of the presidency.

Letter No. 27 (5) 1358-H, dated 27th April 1942, from General Department, Government of Bombay to Chamber.

Please refer to your letter No. 1100 of the 15th April regarding shortage of wheat in Bombay.

2. Government is fully aware of the position and is taking the necessary steps.

3. The Wheat Commissioner who will control supplies of wheat in the whole of India has already been informed about our requirements from month to month.

4. Meantime Government have made special arrangements for priority for wagons to bring in wheat from Sind to Bombay and fairly large quantities have been railed from the 15th instant and are being railed.

5. The question of the retail margin now allowed in the maximum prices fixed by Government was referred to the Consumers' Committee and it was definitely of opinion that the margin is adequate and does not require to be increased.

6. I do not know how far it will be practicable to build up supplies of wheat in the province which would last for at least a period of six months. Such action on the part of all the provinces would dislocate distribution and has been deprecated by the Government of India. However, Government realises that the peculiar position of Bombay City indicates the desirability of building up a reserve in case the communications are interrupted for any period and Government will endeavour to secure such a reserve for Bombay City.

Letter No. 2271, dated 27th May 1942, from Chamber to General Department, Government of Bombay.

I am directed to acknowledge receipt of your letter No. 27(5)|1358-H of the 27th April 1942 on the above subject, the contents of which have been noted by my Committee.

Regarding the question of the retail margin now allowed in the maximum prices fixed by Government, the matter has been further examined by my Committee. They had also before them a copy of a letter dated 28th April 1942 addressed by the Bombay Grain Dealers' Association to Government on the subject. The margin allowed by Government between the wholesale and retail prices is As. 8 per maund. The Association has submitted that having regard to the handling, incidental and overhead expenses, which their members have to incur in the retail trade, and considering the restricted turnover of business at present done consequent upon the efflux of the population from the city, the said margin is extremely inadequate and will make retail business unremunerative. My Committee strongly feel that there is considerable force in the case presented by the Association. While the Association claims that there should be a margin of at least Re. 1|- per maund, my Committee, considering the desirability of reducing the burden on the consumer to the minimum, decided to recommend to Government the necessity for an increase in the margin to As. 12|- per maund. It is requested that Government will be pleased to reconsider the matter and to bring about an increase in the margin between the prices as above.

APPENDIX 113

Supplies of Wheat for Milling.

Letter No. 3611, dated 26th October 1942, from Chamber to General Department, Government of Bombay.

The Committee of this Chamber have received a complaint from Messrs. Chhaganlal Khimji & Co., Proprietors, The Maharani Flour Mills and the Balaji Flour Mills, of Duncan Road, Bombay, about their not being able to obtain sufficient supplies of wheat for their Mills. They require about

500 bags of wheat per day, and until recently they could procure wheat supply for their mills with great difficulty ; but since the 24th ultimo their mills had to stop working altogether as their wheat stocks were used up and they could get no further wheat. It appears that they have seen you, and also seen the Wheat Commissioner at Delhi, and in fact taken all possible steps, as advised, for getting supplies of wheat for their mills.

Their main suggestion was that the Government of Bombay should for the time being, make available to them wheat from Government stocks and their submission to the Wheat Commissioner was also to the effect that they should be allowed to get wheat from any place where they would find it in any province and facilities for import and transport into Bombay should be allowed to them.

The Maharani Flour Mills have been working since the last 35 years and the Balaji Flour Mills have been working since 1937. They supply flour to several constituents in the City, including E. D. Sassoon & Co.'s Mills, and to various merchants who in their turn supply reatil to bakers and restaurants. They also supply flour outside the City of Bombay to places in the Presidency such as Nasik, Poona, etc., and to places in Indian States like Baroda, Navsari and Bhavnagar. They further supply flour to places like Madras and others outside the Presidency. In fact, my Committee consider that they are performing an important civic duty by turning out flour which is an essential article of foodstuff for the public here as well as outside. They got, recently, with great difficulty, some wheat locally which would keep their mills going for a few days more.

Under the circumstances, my Committee request the Government of Bombay to be good enough to release sufficient quantity of wheat from their own stocks for the immediate requirements of the Mills, and at the same time to consider what special arrangements are necessary for supplying directly to the milling industry the requirements of wheat from time to time for their flour manufacture. It appears the present system of distribution of wheat is erratic and unsatisfactory, which results in the flour mill industry of Bombay not

getting their reasonable supplies of wheat for their mills. My Committee are placing this case before Government not as an individual case but as one which requires sympathetic consideration because it involves a question of principle, viz., supply of wheat for the flour milling industry.

APPENDIX 114

Supply of Sugar

Letter No. 3198, *dated* 11*th September* 1942, *from Chamber to General Department, Government of Bombay.*

The attention of the Committee of this Chamber has been drawn to the very serious situation which prevails at present with regard to the supply of sugar. They are informed that the daily requirement of Bombay of sugar is 1,500 to 2,000 bags. Unfortunately, the present stock in Bombay is said to be only 10,000 bags ; 6,000 of which were purchased by Government and 5,000 are with wholesalers ; and 5,000 bags expected from Deccan and 5,000 bags from other quarters. It will be seen that the stock thus is barely sufficient for 10 to 12 days. Sugar has come to be an essential article of diet for not only the rich and the upper-middle classes, but also the lower-middle classes and the poor people ; and it is but natural that there should be a scramble for it in the markets. My Committee noted with regret that, on account of the great crowds of dealers for getting sugar as against their permits, there had to be a *lathi charge* recently, if they are correctly informed. Such a state of things, Government will appreciate, is not desirable, as, surely, any methods of coercion where such a question as the supply of foodstuffs is concerned fail in their purpose. What is required is the institution of such measures as will set the whole machinery in order and make supplies of essential necessities of life regular. My Committee realise that we cannot expect either the same quantity or the same quality of supplies as we used to have in pre-war days ; but, surely, certain vital necessities of life like rice, wheat, millets, sugar, charcoal, kerosene, etc., should be made available in reasonable quantities. It has also to be borne in mind that it is extremely difficult, if not

impossible, for people subsisting hitherto on a diet of rice to change over at a moment's notice, to a diet of wheat or millets ; or people subsisting on a diet of wheat or millets to change over to that of rice. It is possible, of course, to reduce consumption of sugar ; but there must be some reasonable supply of sugar and *gur*, even though it may not be of the normal quantity.

My Committee are informed that there was a stock, on the 1st August 1942, of 78 lakhs maunds, i.e., 27,00,000 bags, of sugar in U. P. and Bihar and that there will be surplus stock to carry over for the next season. They are quoting these figures to show that the supply of sugar for India as a whole, at present, is not below normal, and that the only difficulty which comes in the way of a regular supply to our Province is the want of transport. A suggestion, which my Committee would like to make with regard to increase in the supply of transport is that no wagon, which is not a full complement wagon should be allowed to be carried. They would also like to state that attention must be paid more and more to Motor transport. Petrol is, of course, scarce ; but motor transport can be utilised with the help of coal gas plants.

My Committee beg to give it as their opinion that in the interests of the public control of sugar is essential. Such a control may well, however, be administered by a body of businessmen, as the present control of sugar, my Committee are afraid, is not at all satisfactory ; and hence it is that though they are in favour of control, they strongly recommend that the Administrative Board, which should have executive powers, should have on them a large proportion of representative men of the business community. My Committee trust and hope that Government will be able to bring in more supply of sugar before long. In order, however, that the supply may reach the masses, it is essential that sugar should be made to filter down to the retail dealers in sufficient quantities. There are Government shops and their number may perhaps be increased ; but looking to the vast population of Bombay, unless supplies of sugar are made available with the retail dealers, the scarcity of sugar will be keenly felt by, specially, the lower middle classes and the poor people. My

Committee hope that Government will be pleased to take all possible steps to make supplies of sugar available at an early date and in sufficient quantities.

In conclusion, I am directed to draw again the attention of Government to the great difficulties which are being experienced in getting rice. My Committee are particularly referring to the poorer sections of the people who, they are informed by very good and reliable authority, are in the City and suburbs not able to get it. The poor working people generally make their purchases every day, and if they find that they cannot get even rice sufficient for a meal of the evening and the next morning, the only course is for them to go hungry. It is a very great and pressing problem and requires immediate solution in the interests of the public at large. In connection with the supplies both of sugar and rice, the attention of my Committee has been drawn to a representation addressed by the Bombay Grain Dealers' Association to Government regarding the Food Control of the Government of Bombay. It is hoped that immediate steps will be taken to relieve the situation which is complained of therein.

APPENDIX 115

Re-export of Stocks of Foreign Sugar

Letter No. 2270 dated 27th May 1942, from Chamber to Commerce Department, Government of India.

The Sugar Merchants' Association has forwarded to my Committee a copy of its telegram of the 23rd April 1942 addressed to Government requesting the grant of permission and facilities for the re-export of stocks of imported sugar lying in Bombay. In justification of this request, it is pointed out by the Association that firstly, the said stocks came to be landed in Bombay for the reason that direct steamer facilities were not obtainable at the time of the importation for the place of ultimate destination and secondly that, at any rate, the supplies could not be sold in Bombay for internal consumption as the price of foreign sugar was considerably higher than that obtaining for Indian sugar. Furthermore, if permission to re-export is not granted immediately, the time-limit of six

months in force for claiming refund of Town Duty would expire and the merchants concerned would be put to unnecessary loss.

My Committee are in agreement with the above views of the Association and strongly support them in their request to Government for permission and facilities for the re-export of the existing stocks of foreign sugar in Bombay. In view of the urgency of the matter, it is hoped that Government will be pleased to pass the necessary orders without loss of time.

Letter No. 65-C.W.(48)|42, *dated* 11*th June* 1942, *from Commerce Department, Government of India to Chamber.*

I am directed to invite a reference to your letter No. 2270, dated the 27th May 1942, on the subject of re-exports of stocks of foreign sugar in Bombay.

2. The Government of India have carefully considered the question but regret that it is not possible for them to relax the existing prohibition on re-exports of Java sugar from India to destinations other than Bahrein, Muscat and Trucial Oman, Saudi Arabia, Yemen and Aden and Dependencies. I am to say in this connection that the Government of India have under consideration the question of giving assistance to stockists of Java sugar in the disposal of their stocks.

Letter No. 2445, *dated* 17*th June* 1942, *from Chamber to Commerce Department, Government of India.*

I am directed to acknowledge receipt of your letter No. 65-C.W.(48)|42 of the 11th June 1942 on the above subject, the contents of which have been noted by my Committee.

With reference to the last sentence thereof, when the details of the proposed assistance to stockists of Java sugar are settled, particulars of the same may please be sent for the information of my Committee.

APPENDIX 116

Supplies of Groundnuts and Groundnut Oil

Letter No. 2645, *dated* 15*th July* 1942, *from Chamber to General Department, Government of Bombay.*

At a recent interview, last Friday, with Mr. H. F. Knight, C.S.I., C.I.E., I.C.S., Adviser to His Excellency the Governor

of Bombay, with reference to the question of the supply of groundnuts and groundnut oil in Bombay, I was asked by him to get the views of the Committee of this Chamber on two or three questions relating to the same. I have consulted my Committee accordingly, and I am sending their views on to you.

(a) My Committee consider that the stocks of groundnuts and groundnut oil in Bombay are very small looking to the requirements of the City, both for consumers and millers. They are anxious that these stocks should be replenished at once and that sufficient transport facilities should be provided to bring groundnuts and groundnut oil from outside stations.

(b) My Committee find that groundnuts and groundnut oil do not figure on the list of essential foodstuffs, for which priority in allotment of wagons can be secured or recommended. They are strongly of opinion that both groundnuts and groundnut oil are now essential articles of diet for all the communities and classes. Groundnut oil has taken the place of other edible oils and even sometimes of butter and ghee in its form of vegetable ghee. My Committee appreciate the anxiety of Government to provide essential foodstuffs for the City at such a critical juncture. It must be remembered, however, that groundnut oil is an article of foodstuff. Government should, therefore, try their best to provide transport for getting groundnuts and groundnut oil.

(c) My Committee have seen the Order recently published in the Press requiring the return of stocks of more than 25 maunds. Government will see from the returns that stocks of groundnuts are very low, which point to the urgency of alloting wagons to merchants and millers for importing groundnuts from outside where ample stocks are available.

APPENDIX 117

Prices and Distribution of Kerosene

Letter No. 2634, *dated* 13*th July* 1942, *from Chamber to General Department, Government of Bombay.*

The attention of the Committee of this Chamber has been drawn to Government Notification in the General

Department dated the 8th July 1942, No. 36|2. While my Committee agree that looking to the situation so far as the supply of kerosene is concerned, some sort of control is necessary, they should like to draw the attention of Government to some important factors with regard to the notification. Government have still declared only the prices which should not be higher than Rs. 0-4-3 per quart when the sale is effected by retail shopkeepers and Rs. 0-4-9 when it is effected by itinerant dealers and hawkers. My Committee understand that this notification itself is a forerunner to another notification which will fix the quantity to be given at one time to any one individual. The implication from the declaration of the prices is that the quantity to be supplied to individuals may be fixed at one quart, whether sold by retail shops or itinerant dealers and hawkers. My Committee beg to suggest that Government will be pleased to make a provision for the supply to one individual at one time upto one gallon, enabling thus people to purchase one quart, half gallon or one gallon according to their needs and requirements. If the supply is limited to only a quart, it will mean a good deal of harrassment and inconvenience to the customers, particularly the poor and middle classes, who will be hard put to it to acquire the quantity necessary for their daily requirements. They have to go out early in the morning and will come late in the evening and have to make all their purchases in between. Looking to the fact that several articles are now under control and that specially it is difficult to get essential necessities of life like sugar, rice and kerosene, Government will be pleased to so arrange the supply quota that people may not be put to the necessity of daily going to the shops.

The Notification at present issued requires that retail dealers, other than itinerant dealers and hawkers, shall issue a cash memo or other memo relating to the sale of kerosene to purchasers giving full and correct particulars as regards quantity and price at which it is sold. My Committee beg to suggest that this procedure of giving memos to purchasers should be withdrawn altogether. It is possible that hundreds and even thousands of local consumers may rush to the different shops for their requirements and it will be very difficult, if not impossible, for a retail dealer to supply

cash memos to all of them. Another suggestion, which my Committee should like to place before Government, is that the tanks should have stencilled on them the price for kerosene, and retail dealers should have boards with bold printed letters giving the control prices. Such a procedure will be much better for drawing the attention of the public to the control prices than the procedure of having Government orders pasted on the tanks or the shops.

APPENDIX 118

Plans for Rationing

Letter No. 176|III, dated 30th September 1942, from Supply Commissioner, Government of Bombay to Chamber.

The Government of Bombay greatly regret the inconvenience which has been caused to the public during recent days by the shortage of kerosene due to circumstances of the war and by the shortage of sugar due to sabotage in the sugar factory areas of Eastern India.

This has been attended by hardship to the public, who have had to waste time standing in queues, with uncertainty as to whether in the end they are likely to obtain small supplies and it has probably led to some unfairness in distribution among consumers by persons obtaining supplies of kerosene and sugar not for their own consumption but for sale at enhanced prices to others.

It seems established that, when there is a shortage of any essential commodity in a city like Bombay, fairness of distribution can only be secured by the allocation of available supplies among those who need them under a system of rationing, by which no individual will obtain more than his or her due share of the commodity.

Kerosene and sugar are the commodities of which the shortage is most particularly felt in Bombay at present, and though Government hope, as regards the former that it will prove possible to extend the available supply by admixture of vegetable oils to make it suffice for lighting purposes and as regards the latter that as soon as communications are restored,

ample supplies will be available from the United Provinces and Bihar, yet it seems not impossible that during the period of the war other unforeseen circumstances may arise which will cause another shortage of these, or of other, essential commodities needed by the inhabitants of Bombay City.

The Government of Bombay, therefore, have had under consideration the question whether it would not be well as a precautionary measure *now* to start making arrangements obtaining particulars of all persons living in Bombay, so that, should future emergency arise, it would then be possible quickly to introduce a system of rationing for any commodity which may then be in defect, so as to secure that available supplies would be distributed as fairly as may be possible among all requiring them.

It is clear that, to provide a ration card for each inhabitant of a city of 15 lakhs will be an undertaking by no means free of difficulties. The main difficulty perhaps would be that the Government action might be misinterpreted as an indication that an immediate shortage of essential commodities was expected and inevitable, and on this account the labouring population might become nervous of getting food in Bombay City and tend to leave the City assuming that there may be more to eat in the villages—an assumption which at the present time is as a matter of fact probably incorrect.

Further it is of course possible, though we may hope that it is unlikely, that any preparations for rationing, such as enumeration of households, discussion of rationing arrangements, engagement of special staff, etc., might be deliberately misrepresented as, for instance, preparations for the introduction of military or labour conscription and the like, and thus arouse opposition which would prevent the preliminary arrangements for rationing being carried out.

The preparation of any system of rationing must inevitably take a considerable time, in, e.g., engagement of staff, collection of accurate information, enumeration of individuals, printing of ration cards, organisation of supplies, etc., etc.—a period which Government estimate at from 2 to 3 months at the least. But if the introduction of rationing should be considered desirable or feasible, Government would be pre-

pared to inaugurate immediately the preliminary steps needed to organise a system of rationing based in principle on that now in force in Great Britain, which could be put into effect at any future date, if and when any commodity should seem likely to be in defect.

I am, therefore, to request that your Chamber will consider the matter and will inform Government in the first place, whether, in its view, a system of individual rationing is desirable in Bombay City in the event of a shortage of any commodity, and secondly, whether at the present time preparations for the organisation of possible rationing to be put into force if the need should arise, can be made without disturbing public morale. In view of the unavoidable delay involved resulting from preliminary preparations, I am to ask that if possible a reply to this letter may be sent to Government within a week.

Letter No. 3626, *dated 27th October* 1942, *from Chamber to Supply Commissioner, Government of Bombay.*

I have already acknowledged the receipt of your letter dated 30th September, 1942, No. 176|III, on the above subject.

My Committee have been considering the question of rationing referred to in your letter, a question which, they consider, is of momentous importance. They have not come to any definite decisions with regard to your particular questions whether a system of individual rationing is desirable in the City of Bombay in the event of a shortage of any commodity, and whether at present preparations for the organisation of possible rationing to be put into force if the need should arise can be made without disturbing popular morale. For arriving at a decision with regard to these points, they should like to have certain statistics and certain information which they now request Government to be pleased to send along to them as soon as possible.

The four commodities, which may be a subject matter for ratoning, if the scheme comes to be introduced, will be kerosene, sugar, wheat and rice. My Committee recognise that if necessity arises other commodities may be added to the list. Kerosene, which presented, sometime back, a very

acute problem, is being distributed to the public more or less satisfactorily, though my Committee cannot say when a crisis may arise with regard to this particular article. It will have to be decided whether kerosene should be used both for lighting and fuelling purposes or for lighting purposes only. My Committee are informed that some sort of census is being taken by the Bombay Municipality of people who will use kerosene only for lighting purposes. Such a census will be useful for arriving at definite figures of consumption of kerosene for the City of Bombay. At the same time, my Committee do not at present express their opinion whether kerosene is not to be used for fuelling purposes altogether. They are watching the situation, and presume Government are also doing the same. They are not called upon to express any opinion regarding this particular question ; and so they refrain from doing so. If rationing has to be introduced, kerosene will positively form an item to be rationed, and so any preliminary preparations as are being undertaken by the Bombay Municipality will be welcome help to putting into effect of any such scheme of rationing if it has to be introduced in future.

With regard to sugar, for the present there is no sugar shortage, and my Committee were assured by Mr. N. C. Mehta, Sugar Controller, only a little while back, that the next year's production of sugar would be quite sufficient for the needs of the country at large. Here, the question is one of transport and equitable distribution. My Committee are afraid that there is not that proper co-ordination between the Provinces, which is required for the solution of such a question. Indeed, it is a moot point as to why sugar production being so large and sufficient for the country it should have presented difficulties in some provinces or in some districts.

The experience of my Committee in the last winter, with regard to wheat, was also the same, that though there were sufficient stocks in the country, mal-distribution or want of co-ordination as between different provinces and the Indian States led to what was then considered a wheat famine. It is true that there had been a temporary break down of transport, due to sabotage and this might have come in the way

sugar being rushed to the deficit provinces. Such a transport problem is not, however, a permanent one. The more permanent problem in connection with the transport is the acute shortage of wagons, locomotives, etc. due to wartime necessities and it is this problem which must be tackled at once and immediately if the situation observed with regard to wheat and sugar in recent times should be prevented from arising again. It will be thus seen that sugar by itself does not call for any rationing scheme, provided, of course, that the transport problem is set right. In this connection, my Committee will be greatly obliged if Government will supply them with the following information :—

(1) Production of wheat for the whole country ;
(2) Exports of wheat from India—
  (a) to countries outside, and
  (b) for military purposes, whether it be our army or the armies of the United Nations ;
(3) Figures of wheat flour may also be given, and it should be made clear if the figures of exports of wheat outside include figures of wheat flour ; and
(4) Figures of supplies of wheat to the Military authorities in the country may also be given.

If these figures are supplied, it will be possible for my Committee to arrive at the quantity of wheat which is left for the civilian population of the country. My Committee will also be obliged if they are supplied figures of the imports of wheat and wheat flour from Australia during the year ended 31st March 1942 and during the months which have followed. My Committee also want figures regarding the present stocks of wheat in Bombay, the estimated production of wheat for the whole country for the next crop and the expected arrivals of wheat into the City in the next year.

Sugar statistics are more or less standarised ; but Government may well supply figures of the expected production of sugar during the next year, the expected exports of sugar outside, including for military purposes ; expected arrivals of sugar in the City, and the present stocks of sugar, also specifying the quantity of sugar supply to the military authorities in the country itself.

Rice is another commodity which presented and will present the greatest difficulties. Though the shortage experienced sometime back is no longer there, it cannot be said that we are out of the woods. The elimination of Burma has naturally accentuated the problem. The following statistics with regard to rice may well be given :—

(1) Normal annual production of rice in past years ;
(2) estimated production of rice for the next year, i.e. from the next crop ;
(3) exports of rice to Ceylon and other countries ;
(4) exports of rice for military purposes outside ;
(5) supply of rice for military purposes in the country ;
(6) present stocks of rice in the City ; and
(7) expected arrivals in the City in the next year.

The problem of transport operates as a very acute problem in the case of wheat and rice also, as it did with regard to sugar. My Committee, therefore, urgently request Government to be pleased to incorporate non-official commercial elements in the Transport Board, which is at present purely official. Looking to the vast importance of the unrestricted, systematic and well-thought-out transport for the present situation, my Committee consider that Government will have no objection to re-organising the Transport Board here. They realise that transport is not merely a provincial problem but it is an all-India problem also. Government may very well approach the Government of India for the necessary help and co-operation to solve the transport difficulty, without which the question of feeding Bombay with its million and a half population and the districts also with their population will be difficult to be solved.

My Committee have asked for these figures as they are afraid that quantities of essential foodstuffs are being exported and that there is no equitable distribution as between the Provinces and also no systematic consideration of the problem of food supplies necessary for the indigenous population. As soon as my Committee get this information, they will consider the problem of rationing in the light thereof and send to you their views.

Letter No. F.A.C. VI, dated 2nd November, 1942, from Supply Commissioner, Government of Bombay to Chamber.

I am directed to refer to your letter No. 3626, dated 27th October 1942, on the subject noted above, and to state that the information asked for by you is not available in this Department.

It is however proposed to place the general question of rationing before the Food Advisory Council at an early date, and such information as Government may be able to collect with regard to the points mentioned by you will be supplied to your representative on the Council sufficiently in advance of the discussion.

Letter No. 3951, dated 16th November 1942, from Chamber to Supply Commissioner, Government of Bombay.

With further reference to your letter No. 176|III, dated 30th September 1942, on the above subject, the Committee of the Indian Merchants' Chamber are of opinion that Government should make as much effort as possible to get sufficient quantities of foodgrains for the use and consumption of the City of Bombay. Such efforts will be fruitful if they are undertaken with the co-operation of wholesale merchants. My Committee have considered certain figures regarding the availability of foodstuffs like wheat, rice, etc. which were placed before them by their representative, the President of the Chamber. They realise the precarious nature of the conditions of foodgrains prevailing at present and are afraid that the situation may even grow worse. The fundamental question is, under the circumstances, as to what are the steps to be taken, both by Government and the business community, to safeguard the large population of the City of Bombay against the danger of starvation, in case an emergency arises. My Committee consider that the country has got large stocks of foodgrains and that there is no danger of any scarcity of foodstuffs as such ; but there must be proper methods of distribution, provincial co-ordination and proper methods of transport, to make the fullest use of the foodgrains in the country. Over and above this, care must be taken that no exports of these foodgrains are made to foreign countries,

excepting perhaps when it is a question of feeding our own army or our own nationals. Supposing, however, that it is not found possible to get stocks of foodgrains in the City at reasonable prices, either because of the failure of the transport system or because of controls and prohibitions adopted by the food-producing Provinces, there may arise a situation when the problem of feeding the City will assume a serious form, and rationing may have to be tried then even as an experiment to meet the crisis.

My Committee are, however, opposed to rationing as such. They feel that, looking to the conditions prevailing in this country, the economic circumstances of the people, their habits and methods of life, rationing is not a practicable proposition for the City. Not only that, but my Committee are afraid that the adoption of rationing may mean adopting a remedy which will be worse than the disease. However, if, as is observed above, difficulties are experienced in getting foodgrains into the City and the stocks are exhausted, it might be found expedient to even adopt a system of rationing to supply the people with their great necessity of life, viz. foodgrains. Wheat, Jowar, Bajri and Rice are the four main commodities which serve as foodstuffs to the City, and my Committee should like to urge that all these four foodgrains should be made available. There are certain sections of the population which would like to have rice, and others which would like to have wheat, while other sections could do with millets. There must, however, be no undue optimism on the score that if rice is not available people will take to millets or if wheat is not available people will take to rice or millets. The economic and dietory structure of the country has been fixed up for hundreds of years, and it is very difficult to change the structure in a short time. Of course, if ultimately there is a severe scarcity and if only particular foodgrains are available, people may take to anything, as they would, in certain starving portions of the Continent of Europe where they would even take horse flesh or dog's flesh rather than allow themselves and their children to be starved.

Under these circumstances, my Committee are of opinion that the scheme of rationing should, as far as possible, not b[illegible]

introduced at present ; but preparations for the same may be carried on like taking the census of the population, preparing figures and statistics with regard to distribution of coupons, etc., so that if and when a crisis may arise, the scheme may be introduced even as a last resort.

Letter No. 230 F.A.C.|VI, dated 30th November 1942, from Supply Commissioner, Government of Bombay to Chamber.

I am directed to acknowledge your letter No. 3751, dated the 16th November 1942, on the subject noted above, and to state that Government is taking all possible steps to obtain foodstuffs from other provinces where an exportable surplus is reported to exist and does not *propose to introduce rationing in the city unless it is absolutely necessary.*

2. At this stage it is proposed, with the approval of the Food Advisory Council, to undertake only the preparatory work in connection with the scheme of general rationing with a view to its introduction if and when needed.

3. I am to add that the suggestions made by your Committee regarding the food habits of the various sections of the population will receive due consideration while framing a general scheme of rationing.

APPENDIX 119

Food Supply Problem

Telegram dated 23rd December 1942, from Chamber to the Private Secretary to the Viceroy.

" Committee Indian Merchants Chamber consider it their duty to draw His Excellency's attention to the gravely critical situation which faces the country in the shape of scarcity of foodgrains. That this should happen when the cereal crops are being marketed is a further factor to which Committee wish to draw Government's attention. Committee are very much disappointed that as a result of Conference on 14th instant at Delhi, the Honourable Commerce Member is definitely unable to promise any wheat supplies from Punjab and even any substantial foodgrain supplies from other parts of

the country. Committee have no option now but to earnestly request Government of India to import without delay wheat from Australia and elsewhere abroad to meet this grave situation. They suggest that at least two lakhs of tons of wheat should be made available in the first instance as early as feasible. Committee have heard the usual objection which has been mentioned against this namely scarcity of freight. Whilst fully conscious of this handicap Committee have no hesitation in urging that the present grave situation in India should be regarded as justifying India to absolute military priority for supply of essential foodgrains if the economic fabric in India is to be prevented from collapse. I beg to send this to you on Committee's behalf as His Excellency the Viceroy must now be informed directly about the danger which unmistakably appears to be lurking and threatens to develop ominously."

APPENDIX 120

Coal Supply to Sugar Factories

Letter No. 2853, *dated* 1st *August* 1942, *from Chamber to Director of Civil Supplies, Bombay.*

The Committee of this Chamber have received a complaint from one of their members, Messrs. Marsland Price & Co., Ltd., that they have got no stock of coal left for their sugar factory situated at Kalamb (via Baramati). The one month's period of stock of coal suggested for other factories, like Textile Mills, will not be suitable for sugar factories because if, for any reason, the coal supply fails, it is not a simple matter to close down the sugar factory. Sugar factories, as you know, are working all the 24 hours during the season. The cane on the plantation is harvested and must be crushed and the factory work must go on. The sugar factory will again start work in September or October next, which will mean the end of the slack season for the railways. Messrs. Marsland Price & Co., therefore, suggest that advantage may well be taken of the present comparative slack season for the transportation of coal. My Committee beg to request you to

be pleased to grant high priority for this sugar factory for the transportation of coal, as otherwise, the factory may have to be closed down. A stock of coal to last at least two to three months is urgent and badly required before the crushing season commences. My Committee hope that you will be pleased to grant this request in the interests of an industry which is one of the leading industries of the country and which may also be considered as a war industry, looking to the fact that sugar is one of the necessities of daily life of the ordinary people.

A copy of this letter is being sent to the Chairman, Coal Waggons Supply Committee, Calcutta.

APPENDIX 121

Freezing Stocks of Provisions

Letter No. 2093, dated 2nd May 1942, from Chamber to Commerce Department, Government of India.

The Bombay Provision Merchants' Association has sent to my Committee a copy of their communication addressed to you dated 23rd April in the matter of the Order issued by you on 21st April, No. CS|2A|6-288, on certain provision merchants in Bombay freezing items of provisions and articles specified in the Schedule attached thereto. Obviously, the step was taken with a view to find out the available stocks of the articles in question so as to facilitate acquirng the same for the purpose of Government requirements.

In the said representation, the Association has conceded and recognised that the Government should have under the exceptional circumstances existing now, a prior claim on the available supplies. At the same time, it is necessary to take into account the practical realities of the situation and the difficulties which the trade may have to face if all the stocks available with them are requisitioned by Government.

The association has pointed out that in consequence of the imposition of Import Control on some of the items of provisions, the imports of the said articles had practically ceased for sometime. The merchants, therefore, have to carry on their day-to-day trading operations with the limited stocks

with them. If, however, all these stocks are suddenly acquired for Government purposes, it can well be realised that the trading operations of the parties concerned would almost come to a standstill, causing thereby, great disorganisation and hardship. This aspect has to be prominently borne in mind when requisitioning the supplies and it is hoped that Government will take only a part of the stocks allowing a good portion to remain for private trade, so that the merchants and shop-keepers in question can continue to be in business.

The next point which has been urged by the Association is in the matter of the prices to be paid for the articles that may be requisitioned. The prices should not be merely on the basis of the landed cost plus the minimum percentage of profit. Such a basis would not be fair. As has been already pointed out, the difficulties in getting supplies have automatically brought about a constriction in the turn-over of the merchants, while the overhead charges have almost remained constant. This reduction in turn-over has necessarily to be taken into account while fixing the margin of difference between the cost of the goods and the purchase price to be paid by Government. There is also the question of replacement. It is requested that sufficient attention must be paid to this factor also in estimating the purchase price.

My Committee hope that Government will be good enough to consider the case of the Provision Merchants sympathetically and to see that the requisitioning the articles in question does not involve any great hardship to them.

My Committee may also be allowed to point out that now that imports are inhabited and stocks are being commandeered to provide for the essential needs of the fighting forces, the articles in question may not be available at all in the very near future. My Committee suggest under the circumstances, that Government should take immediate steps to encourage the manufacture of such provisions in India by making skilled personnel available and making use of indigenous fruits for canning purposes, like Mangoes, Peaches, Apples, Figs, Strawberries, etc.

Letter No. C.S. 2A.|6-288, dated 13th May 1942, from Supply Department, Government of India to Chamber.

In reply to your letter No. 2093, dated 2nd May 1942, I have to state that as an emergent demand was received for a large supply of certain classes of tinned provisions required for the Royal Navy, a Demand for Information was served on certain firms known to hold large stocks, current for a period of one week. When these stocks were located, the freezing order on the firms concerned had to be extended for a further period of 5 days to enable negotiations to be completed for the purchase of the goods.

While fully appreciating the points advanced in your letter, I would stress that there was no intention of causing inconvenience to the provision merchants or putting firms out of business, but the object was to ensure that the stocks taken up were evenly distributed amongst stockists, and the embargo was raised as quickly as possible. The Bombay Provision Merchants' Association has referred to the Canteen Contractors Syndicate Ltd., and I would like to point out that this Syndicate is concerned with supplying the requirements of the military canteens maintained for the Forces in India, whereas my enquiry was directed to obtain supplies for the R.I.N. and R.N.

I note your remarks with regard to the question of the prices to be paid for the articles that may be requisitioned. This is normally settled by negotiation, but when negotiation fails the prices are fixed in accordance with the standard laid down by the Supply Finance authorities.

Letter No. 2239, from Chamber to Commerce Department, Government of India.

The attention of the Committee of this Chamber was recently drawn to the order issued by the Controller of Supplies, Bombay, freezing certain stocks of tinned provisions with merchants in the city. Obviously, the step was taken with a view to find out the available stocks of the articles in question so as to facilitate acquiring the same for the purpose of Government requirements. While my Committee realise that in the exceptional circumstances existing now Govern-

ment should have a prior claim on the available supply, they had in a letter addressed to the Controller of Supplies, Bombay, pointed out the likely consequences of freezing stocks of provisions when fresh imports were not possible. As a step in solving the situation which had necessitated such orders requisitioning stocks, my Committee had also suggested that Government should take immediate steps to encourage the manufacture of canned provisions in India by encouraging private manufacturers, subsidising such efforts, if necessary, and by making skilled personnel available. This suggestion is one which comes within the purview of the Commerce Department of the Government of India and, therefore, I am desired to urge on the attention of the Government the necessity for examining the possibility of promoting the manufacture of canned provisions in India, thereby creating a greater and more remunerative use for the large supplies of fruits available in the country. The fruits are in full season and prompt action will effectually meet Government and civilian requirements.

In this connection, it has been pointed out to my Committee that one particular difficulty which is likely to be met in this regard is in the matter of skilled personnel for employment in the technical side of any such manufacturing effort. If necessary, Government should also take steps to get the assistance of foreign experts in the initial stages so as to enable the industry being started and put on a sound footing, particularly by improvng the preserving and keeping quality of fruits.

It is hoped that Government will be pleased to consider the suggestion favourably and to take early steps to achieve the object.

Letter No. FS-101(5), dated 19th June 1942, from Director-General of Supplies, Government of India to Chamber.

Will you kindly refer to your letter No. 2239, dated 22nd May 1942, addressed to the Secretary to the Government of India, Department of Commerce, on the subject of freezing certain stocks of provisions? I should like to discuss the

question of encouragement to canning industry in India with you during my forthcoming visit to Bombay from the 27th June to 3rd July 1942. If this proposal is acceptable to you, will you please arrange to get an appointment made by telephoning to me any time on 26-6-42 on telephone No. 43747 ? On other dates, I shall be available on the same telephone number or through the Controller of Supplies, Bombay Circle, Bombay.

Letter No. 2591, *dated 7th July* 1942, *from Chamber to Supply Department, Government of India.*

The Committee of this Chamber has seen the correspondence which has passed between the Department of Supply, Government of India, and the Bombay Provision Merchants' Association with regard to the freezing order for tinned provisions by the Controller of Supply, Bombay. They particularly feel that the percentage of gross profits on the landed cost allowed, working out at 1¼ upto 7 per cent is a very scanty and poor percentage of profit, specially when it is taken into consideration that the percentage allowed is on the landed cost only. It must be remembered that the merchants have to pay interest on the capital which may have been locked up for months together, godown rent, insurance, war risk goods insurance and other overhead charges, plus depreciation for tinned stuff getting bad. The margin of profit allowed therefore is not at all fair, and my Committee are informed that the suppliers have been many times losers on their deals. There is also a complaint that payments for bills for articles commandeered or purchased by Government are delayed very much with the result that merchants have to go on paying interest for their stocks and cannot replace any new stocks. My Committee are also informed that the stocks in several cases were not taken over by negotiation, but were commandeered. They consider that it would be both in the public and merchants' interests if stocks were taken over by negotiation and not by commandeering.

APPENDIX 122

Control of Shipments of Cutting Tools

Letter No. 3093, dated 24th August 1942, from Chamber to Chief Controller of Purchase, Calcutta.

Messrs. Batliboi & Co., a member firm of this Chamber, have drawn the attention of my Committee to orders issued by your Department requisitioning all consignments of hack-saws, circular saws and band-saws, toolholders and cutters, to be sent over to Calcutta. They have, in this connection, addressed a letter to my Committee, dated 7th August 1942, explaining the difficulties likely to be experienced by them and the industries which they supply by the present procedure. A copy of this letter is sent to you herewith for your information.

The firm in question recognise the right of Government to a prior claim to the available supply of such cutting tools. Their objecton, however, is to the present procedure of requisitioning all the consignments, whether or not all the items in such consignments are immediately required by Government. Under such a procedure the other users and consumers of these tools will be completely deprived of any supply whatever. The firm has, instead, suggested that supplies whenever they arrive may be frozen to be kept with them and from which Government requirements could be met from time to time. Side by side, important requirements of private industries should also be allowed to be met from such supplies after obtaining the necessary permission from Government. It will be realised that the essential and unavoidable needs of private industries have also to be met, particularly as many such industries are at present directly or indirectly concerned with war work. My Committee, therefore, feel that the procedure suggested by Messrs. Batliboi will, while securing the necessary control over the supplies of cutting tools available, and received from time to time, in the country, at the same time make possible the use of such tools to the best purposes, including the use for essential needs of industries. It is hoped that you will be pleased to consider the suggestion favourably and to issue orders modifying the control procedure. I may add that a copy of this letter is being sent to the Government of India, Supply Department.

Letter No. CCP(M)|CTC|38, dated 16th September 1942, from Chief Controller of Purchase to Chamber.

I am in receipt of your above letter and in reply would draw your attention to the following.

The Government of India desire to interfere as little as possible with legitimate trading but in regard to Cutting Tools it has been forced to take some measures to ensure tools being distributed to the best advantage.

The conditions leading to the decision to requisition were (a) suppression of stock by dealers with a view to obtaining better prices later, (b) exorbitant quotations for the stocks offered by dealers.

The particular case to which you refer, the suggestion that frozen stock be left with Messrs. Batliboi & Co., for supply to Government as required and to private industries with Government permission was rejected, as all the stores requisitioned are required for urgent demands.

It may be pointed out that Messrs. Batliboi & Co. were approached by a Bombay Firm, who are manufacturing Saw Benches for Government, for some Circular Saws and the quotations given were most exorbitant.

It is gross profiteering of this nature which has forced the Government to take action.

You will realise that in the circumstances I cannot agree to the suggestion of Messrs. Batliboi & Co.

This Department is taking all steps necessary to supply essential industries with equipment either by ordinary trade channels or otherwise.

APPENDIX 123

Establishment of Non-ferrous Metallurgical Industry in India

Letter No. 3640, dated 29th October 1942, from Chamber to Council of Scientific and Industrial Research, Government of India.

The questionnaire issued by the Metals Committee of the Board of Scientific & Industrial Research regarding the possi-

bility of establishing a non-ferrous scrap refinery in India was circulated to commercial interests by the Council through the Federation of Indian Chambers of Commerce and Industry in June last. As some of the questions therein were not merely confined to the immediate problem of the establishment of a non-ferrous scrap refinery in the country, but also dealt with matters relating to the developments of non-ferrous metallurgical industry as such, my Committee have examined the problem as a whole and beg to submit the accompanying note containing their views, for consideration by Government.

Views of the Committee of the Indian Merchants' Chamber on the Questionnaire regarding Non-ferrous Metallurgical Industry in India

Before dealing with the different questions put in the questionnaire, my Committee would like to make some general observations. In considering this matter, Government should not be merely concerned with the immediate needs of meeting the requirements of the different metals in the country, particularly during the period of the war. The matter should be looked at from a long-range point of view and apart from solving the immediate difficulty, due regard should be given to the fundamental objective that India should be enabled to stand on her own legs to a substantial degree in the matter of the requirements of almost all varieties of non-ferrous metals. The precarious dependence of the country on foreign sources for supplies of these essential metals is proving to be of great inconvenience at this juncture and it should be the anxiety of the Government to ensure that the country is not confronted with any such difficulties, so far, at least, as the future is concerned.

The initial survey prospecting, etc. should all be done by the State at its cost. Government should also give every assistance in securing the necessary plant, tools, skilled personnel, etc. They must further come forward with an assurance about protection to the industry in all the stages of its development. In short, the State should take an active interest in initiating the industry and in nurturing it in its early stages of development. The whole problem should be viewed as one of meeting a national need.

In regard to the development of metallurgical industries transport plays a very important part, as generally, the sources of the metal ores are placed in the interior, very remote from the existing rail heads or transport centres. Special transport facilities in such cases have to be provided. Naturally, private enterprise cannot be expected to undertake the expenditure in laying down roads and providing the necessary means of communication. All these facilities have to be provided by Government at its own cost. For instance, my Committee are informed by the Parekh Virani Mining Syndicate, Bombay, that they have already sources in the Chitral State from where they could supply ores of lead, antimony, copper, zinc as well as mica, sulphur and many other minerals. Their chief difficulty is transport and if Government only provide a road for about 30 miles, they would be able to arrange to supply some of these important metals and minerals and send them on to the centres where they are required. Surely, if the information as above is correct, the expenditure in providing road communication for about 30 miles is nothing, when compared to the advantage the country will have in being able to get all these important materials.

My Committee are not here particularly examining the question whether it is feasible or necessary to start immediately a scrap refinery in the country. They are considering the matter in its broader aspect, viz. what steps should be taken to facilitate the establishment and development of the metallurgical industry as a whole. In this connection, they are informed that the scrap metals available in the country are being largely drawn upon by existing private refineries run on a small scale and that metal so refined is being supplied to Government for orders in connection with the war work. Such private refineries have their own difficulties. It appears that they are not getting facilities for collecting scrap. They are also suffering from want of adequate wagons for transporting such scrap from rural areas to the refining centres. Complaints have also been made to my Committee that applications for import of some metals essentially required for such refineries are not being sympathetically considered.

Another issue of a general character which requires to be stressed in this connection, is the difficulties connected with

the rules and regulations governing mining concessions. The rules governing such concessions and the official procedure connected with the grant of mining leases, it has been pointed out to my Committee, leave much to be desired. This aspect of the question may be fully investigated and steps taken to see that the procedure and the rules relating to mining leases are modified and made simple so that private interests may feel encouraged in negotiating and securing such leases.

With these general remarks, my Committee would now offer their views on the questions put in the questionnaire of the Metals Committee :

1. There is hardly any non-ferrous metallurgical industry worth its name in India. The normal peace-time requirements of non-ferrous metals can be safely put down as follows (except for Brass and Copper) based upon the imports of those metals during the period of five years beginning 1st April 1935 until 31st March 1940 :

Consumption of Metals in India.

		Tons
Aluminium	about	3,000
Brass, Bronze, etc. ...	,,	15,000–(23,000) ?
Copper	,,	14,000–(17,000) ?
Lead	,,	5,500
Tin	,,	2,800
German Silver	,,	425
Mercury	,,	64
Zinc	,,	23,000

The only non-ferrous metallurgical plant for the production of virgin metal in this country of any importance is the copper smelter and the Yellow Metal rolling mill of the Indian Copper Corporation near Ghatshila about 23 miles east of Tatanagar. An aluminium plant is likely to come into operation very soon. Due to war, the demand of non-ferrous metals has increased very considerably, and so, it can be safely stated that the present state of non-ferrous metallurgical industry in India is entirely hopeless.

The requirements of these metals in the past were imported mainly from the U.K., U.S.A., Japan, Germany, Malaya and Burma. But since the war, some of these sources have been cut off. Imports are permissible now from th

U.K. and U.S.A., but the import control in force does not permit of a free supply.

2. The only way to improvise some supply of non-ferrous metals at present is by the production of secondary metals by reclaiming the metals from the scrap which has remained in the country due to the export restrictions on scrap. With proper planning and proper whole-hearted State aid, this industry could continue to operate successfully after the war.

There will be difficulty in getting the necessary machinery for refining scraps at this juncture. Government should make efforts to get all such machinery ; but in the meanwhile, every assistance may be given to the existing small scale private refineries to function more effectively.

3. It is not correct to say that there is absence of any important mineral resources for metals like copper, zinc, lead and nickel in this country. The resources are there, but nobody has taken the trouble of carrying out systematic and thorough prospecting. The deposits that have been reported in the Government publications, as not big enough for commercial exploitation during the last 50 or more years, have been recently declared as worth further investigation. The main trouble about the present deficiency is that there was no planning at all regarding the requirements of metals in this country, and so, no stock piles were set up to take care of the present emergency. The easiest way of meeting the deficiency at present is by imports.

4(a) It is absolutely necessary to undertake not only extensive geological survey but very intense geological and geophysical prospecting not only to locate, but to prove, workable quantities of non-ferrous ores. Geological survey alone would get us nowhere.

As mentioned in the preliminary remarks, all this work should be undertaken by the State at its own cost.

4(b) This country is industrially so backward that even if substitutes are found for some metals, it would be impossible to produce those substitutes in sufficient quantities to replace the metal concerned. Advocating the use of substi-

tutes without making arrangements for their production will not solve the problem.

4(c) (i) Conservation of metals by rigid control, properly exercised, might, perhaps, help to some extent, but control leads to a good deal of malpractices and abuses. For any system of control to be successful, the Controlling authority set up should be very efficient and above suspicion.

4(c) (ii) Carefully graded scrap for the preparation of standard alloys might help, provided proper personnel with sufficient knowledge of practical metallurgy and real horse sense are available to grade scrap and to prepare the standard alloys.

4(c) (iii) The Board of Scientific & Industrial Research does not seem to differenciate between a virgin metal and a secondary metal. According to metallurgical terminology, a virgin metal is refined metal produced from ores directly mined. It is, therefore, impossible to produce virgin metal from scrap. The metal produced from scrap or from waste produced in manufacturing articles from virgin metals or from junk or discarded metal that has already been used is known as secondary metal.

Immediately after the declaration of the war, Government should have, anticipating scarcity of non-ferrous metals, prepared a scheme to collect scrap with a view to producing secondary metals. If such a step had been taken, perhaps great progress in the direction of refining metals from scrap would have been made by now.

5. The details required under this question should be secured from professional people. If there is difficulty in regard to the availability of skilled personnel in the country, a start may be made by getting foreign experts who should, in due course, be expected to train up indigenous talent to the required degree of technical efficiency.

6(i) The lack of private enterprise in the development of a sound non-ferrous industry is due to all the five reasons mentioned under this paragraph in the questionnaire. It must, however, be stated that seeming paucity of mineral deposits is due to the fact that no very systematic and intense

search has been made to find or prove them. Upto 1940 the Department concerned with finding mineral deposits was mostly engaged in the preparation of academic reports regarding the geology of the country. Little serious work was done to prospect deposits and to estimate the quantity of the mineral that may be made available for economical exploitation.

Emphasis should now be laid that the researches and the activities of the Department should lead to more practical results.

6(ii) The restrictions regarding the rules and regulations prescribed for prospecting mineral resources of the country contribute very considerably to the existing lack of private interest and enterprise in the development of mining and metallurgical industry. Some of the regulations for securing prospecting licence are impracticable. The procedure prescribed for preliminaries connected with the grant of a prospecting licence is such that there is considerable waste of time and a long time elapses between the making of an application and the grant of a licence. The administrative machinery dealing with the question of prospecting licences and leases leaves much to be desired. If there is a strong desire on the part of the Government to see that the mineral resources of this country are developed to the fullest extent, explorations and prospecting operations should be allowed to be carried out on more or less on the same rules that are in force in countries like the United States. There should be freedom for *bona fide* Indians to search for minerals anywhere and everywhere in this country under proper guidance and directive supervision of the State.

6(iii) The shyness and inadequacy of capital is due to the lack of proper support from the Government to safeguard the interests of the industry from outside competition. If Government grants the necessary protection for the industry, the shyness and inadequacy of capital would certainly disappear.

6(iv) Transport facilities also could be provided by Government and so want of transport facilities should not come in the way of the development of the country.

6(v) Competent personnel can always be imported as has been done in countries like Australia and under such foreign experts Indian personnel can be trained and made fit. China has produced within the last 4 or 5 years its own competent personnel in all the industries that she has brought into existence during the last 5 years. The same could happen in this country if proper facilities are offered and the necessary encouragement given.

7. The future of non-ferrous industry in this country can be made full of prospects if the State is prepared to grant the necessary protection or bounty as the case may be on very sound and efficient lines as has been the case with regard to several of the metallurgical industries in the United States.

APPENDIX 124

Import Licences for Hydro-sulphite of Soda and Sodium Sulphite

Letter No. 4049, dated 18th December 1942, from Chamber to Commerce Department, Government of India.

The attention of my Committee has been drawn to the difficulties experienced by manufacturers in getting their requirements of Hydro-sulphite of Soda. This chemical is required by the silk industry for bleaching silk fabrics. It may be pointed out that bleaching is an important process in the manufacture of silk goods and unless the same is satisfactorily done, considerable difficulty will be experienced in marketing the goods. The Bombay Silk Mills, a member of this Chamber, had applied to the Director-General of Supplies (Cotton Textiles) requesting that some quantity of the chemical might be ordered to be released for use in their factory; but they were informed that on account of the acute shortage of the chemical in the country its release for civil requirements could not be considered.

My Committee understand that this chemical is also required by the sugar industry. While they realise that war requirements should have a prior claim on the available supplies, they submit that, in order to enable industries also t

get their minimum requirements, some quantity should be released for them. If the supplies in the country will not permit of this, immediate efforts should be made to obtain fresh imports which would enable this being done.

In this connection, my Committee further understand that Hydrogen Peroxide liquid can, in the absence of Hydro-sulphite of Soda, be used for bleaching silk fabrics, although the results may not be equally satisfactory. It would, however, appear that Government are not permitting the imports of this article, as they do not consider the same essential. If it is not possible to arrange for supplies of Hydro-sulphite of Soda immediately, at least the import control on Hydrogen Peroxide should be relaxed, so as to permit its importation to meet the requirements of the silk industry.

APPENDIX 125

Difficulties in getting Supplies of Baling Hoops

Letter No. 3952, *dated 4th December* 1942, *from Chamber to Railway Board, New Delhi.*

The attention of my Committee has been drawn to the difficulty experienced in getting supplies of baling hoops which are essential for the baling of cotton. At one time, the Government of India expected to arrange for the importation of the requirements of such hoops from U.S.A. ; but it would appear, however, that the actual supplies expected to be made available from that source is much short of the requirements of cotton ginning and pressing factories for one season. It is, therefore, being recognised that it would be necessary to permit the use of ropes also in baling cotton during the current season. Having regard to this position, the East India Cotton Association, Bombay, which controls dealings in cotton, have permitted tenders of rope-bound bales of cotton under the bye-laws of the Association. Thus, so far as the current season is concerned, at any rate, cotton bales bound with ropes will be a normal feature.

The Railway Board have prescribed 30 lbs. density for a fully pressed bale, while the density of a rope-bound bale

would be approximately 28 lbs. per C. Ft. It has been found by observation that the rope-bound bales expand by about two inches and its height is about two inches only more than bales bound with hoops. Thus, there will be no material difference between the two types of bales for purposes of transport over the railways. Under the tariff in force, however, the rates prescribed for bales bound with ropes are higher than those with hoops. In view of the particular circumstances, to which a reference is made herein, it is necessary that the definition of Fully Pressed Bales for purposes of railway freight should be changed so as to allow the carriage of bales bound with ropes at the same rate as that for bales with hoops. It is hoped that the Board will be pleased to consider this matter favourably and issue instructions accordingly.

Letter No. 3953, *dated 4th December* 1942, *from Chamber to Bombay Fire Insurance Association, Bombay.*

The attention of my Committee has been drawn to the difficulty experienced in getting supplies of baling hoops which are essential for the baling of cotton. At one time, the Government of India expected to arrange for the importation of the requirements of such hoops from U.S.A. ; but it would appear, however, that the actual supplies expected to be made available from that source is much short of the requirements of cotton ginning and pressing factories for one season. It is, therefore, being recognised that it would be necessary to permit the use of ropes also in baling cotton during the current season. Having regard to this position, the East India Cotton Association, Bombay, which controls dealings in cotton, have permitted tenders of rope-bound bales of cotton under the bye-laws of the Association. Thus, so far as the current season is concerned, at any rate, cotton bales bound with ropes will be a normal feature.

My Committee have already addressed the Railway Board requesting them to take note of the above factors and to provide that bales bound with ropes should be accepted at the rate of freight applicable to bales bound with hoops. The rate of premium for bales bound with ropes is also much higher than that for hoop-bound bales. It is necessary, having regard to the circumstances explained above, that for the dura-

tion of the war, this distinction should be done away with, and rope-bound bales should be accepted at the same rate as hoop-bound bales. It is hoped that your Association will accept the above suggestion of my Committee and make the necessary change in the tariff accordingly.

Letter No. 3842, dated 24th November 1942, from Chamber to Supply Department, Government of India.

The Sind Press Company, Ltd., who are members of this Chamber and who own a baling press at Karachi, have furnished to my Committee a copy of the memorandum, dated 6th November submitted by them both to the Honourable the Supply Member to the Government of India and to the Import Controller of Iron & Steel, in regard to their requirements of baling hoops for use in their press for the purpose of baling cotton and wool. They have detailed therein how their efforts to get the necessary supplies of hoops through the Import Controller have not, so far, proved successful. My Committee realise that the supply position in regard to hoops is difficult and that import could be permitted only to the extent that supplies are available from America. It would appear from the reference made in the memorandum to the reply given by the Indian Central Cotton Committee that the supplies to be made available from America are ear-marked for distribution to factories baling raw cotton. They appreciate that in order to facilitate the handling of cotton, special efforts to secure supplies of hoops for baling the same were called for. At the same time, they submit that wool is equally an essential article, particularly during war-time, and the requirements of the factories like the one under discussion in regard to hoops for baling wool deserve the same consideration at the hands of Government. If the factory in question is not enabled to secure the necessary quantities of hoops, serious difficulties would be experienced in the working of the same. In consequence, the handling of wool would present a problem and the commitments for purposes of supplies in respect of war needs cannot be fulfilled.

Having regard to these considerations, Government will be pleased to assist the Sind Press Company, Ltd. in securing the necessary requirements of hoops.

APPENDIX 126

Diesel Oil Ration and Stoppage of Electric Supply.

Letter No. 3371, *dated* 30*th September* 1942, *from Chamber to Public Works Department, Government of Bombay.*

Messrs. Consolidated Electric Agencies, Ltd., have drawn the attention of the Committee of this Chamber to the Government orders in respect of cutting off of hours of electric supply and reduction in the supply of diesel oil used in the running of generating plants of electric supply companies. Under these orders, with a view to reduce the consumption of electricity and diesel oil, the licensees using fuel oil have been classified in four groups according to their utility in furthering war efforts. My Committee are given to understand that under these orders Electric Supply Companies are required to cut off 5, 11½ and 18 hours of electric supply from the present supply position. Accordingly the supply of diesel oil has also been curtailed for the reduced hours. Besides, there appears to be discrimination between small towns and big towns with regard to the hours of supply of electricity and that bigger towns seem to have been treated more favourably. My Committee have considered the effects of these orders and they feel that in the interests of small undertakings a revision of the orders should be justified.

As represented by technical opinion and experience, the allotted quantity per month of diesel oil will be quite insufficient to supply electric energy for the number of working hours per day as required under the order. It is maintained that the load distributed during the period of 24 hours will be naturally concentrated in 12½ hours and the expected saving in the consumption of diesel oil will not be realisable. In a case for 12½ hours supply, at best there would be a saving of 25% of diesel oil, while the ration has been reduced by 60%. It will be realised that the ration fixed for diesel oil is quite inadequate to meet the requirement of the supply companies and this limitation will act as a great hardship to smaller towns. My Committee feel strongly about the discrimination in respect of hours of supply and the ration of diesel oil in favour of big towns. It is felt that the need for electric supply

of people, whether in small towns or in big towns, is the same and so far there should not be any attempt at such discrimination.

Besides, the Consolidated Electric Agencies have strongly complained to my Committee against the cent per cent rise over the pre-war rate in the price of fuel oil. This is a serious hardship facing the electric supply companies, and Government seem to have given no consideration to this chief factor which would make either the generation of electricity economic or uneconomic. The electric supply companies seem to be on the border-line of just making both ends meet as a result of the high cost of diesel oil. My Committee, therefore, suggest that in the first instance a reasonable reduction in the price should be made and after having effected such a reduction in price, a reasonable control should be placed so as to make the generation of units and the cost thereof more economic.

In this connection, the Consolidated Electric Agencies inform my Committee that, on behalf of the Amalgamated Electricity Co. (Belgaum) Ltd., Belgaum and Bulsar, the Jalgaon Electric Supply Co., Ltd., Jalgaon, the Malegaon Electricity Co., Ltd., Malegaon, and the Dohad Electricity Co., Ltd., Dohad, run under their management, they have represented to Government that the above companies should be compensated for the loss sustained by them on account of 100% rise in the cost of diesel oil as also on account of reduction in their income consequent upon the reduction in hours of supplies per day. My Committee will be obliged if the reply to the above representation is expedited and sent to the Consolidated Electric Agencies, Ltd.

Letter No. 1932-36.*M., dated 3rd October* 1942, *from Public Works Department, Government of Bombay to Chamber.*

With reference to your letter No. 3371, dated the 30th September 1942, I am directed to inform you that there is no discrimination between large and small towns per se but classification has been based on the importance of the load.

2. The ration of diesel oil is being carefully watched and revised where found necessary.

3. Government is at present considering the question of allowing Companies to charge a surcharge because of the high cost of oil.

APPENDIX 127

Manufacture of Chemicals.

Letter No. 769, dated 14th March 1942, from Chamber to Board of Scientific and Industrial Research and Government of India Commerce Department and Government of Bombay.

The war has stimulated the manufacture of several essential chemicals in Government and State-aided factories and laboratories. These chemicals, at present, are mainly used for war requirements. My Committee wish strongly to impress upon Government the necessity for continuing these manufactures even after the war and placing them on the market, thus making available the supplies of such chemicals for use in business and indigenous industries. It was the unfortunate experience that after the last war the industries and lines of manufacture promoted departmentally were not placed on the market and were not allowed to continue at the end of the war, and no permanent or lasting benefit accrued to the civil industries of the country out of such war-time manufactures produced successfully by Government. My Committee strongly feel that the same procedure should not be repeated this time and their benefits wholly lost, and that Government should keep all such manufactures going, until chances of the productions being utilised in the appropriate industries are fully explored.

My Committee also suggest that a record of all such industries and technical efforts made under the aegis of Government in the State and State-aided factories and laboratories may be maintained with full details of the items of manufacture, with their formulae, outturn, etc. and an early opportunity be taken to make this record available to the Trade and Industrial Associations for the benefit of civil industries and civilian consumption. Such a procedure will enable the public and industrialists to know what chemicals have been manufactured and are available in the country so

that at the end of the war, the industries concerned will be able to approach Government for their requirements of those materials. This alone will materially substantiate the assurances of the Hon'ble the Commerce Member to the effect that the industries started for war will not be left high and dry after the war.

My Committee hope that Government will be pleased to accept the above suggestions and take necessary steps to implement them at an early date.

Letter No. S|23|9907|G, dated 11th May 1942, from General Department, Government of Bombay to Chamber.

With reference to your letter No. 776, dated the 16th March 1942, on the subject mentioned above, I am directed to inform you that the Indian Chemical Manufacturers' Association, Calcutta, issued in 1940 a list of chemical and pharmaceutical manufactures in India giving names and addresses of factories, their main lines of manufacture and new lines under contemplation. It is understood that this list is being revised and the Association contemplates publishing a comprehensive list. I am also to inform you that, so far as this Province is concerned, the Department of Industries is taking the necessary steps to collect information and data with a view to the continued use of the latter and also with a view to determining the action which should be taken to ensure that such of the chemicals which experience has shown can economically be made locally, continue to be manufactured after the war. I am to add for the information of the Chamber that the Government of Bombay has supported to the Government of India the request made in the Chamber's letter to the Department of Commerce, dated the 14th March 1942.

Letter No. 2243, dated 22nd May 1942, from Chamber to General Department, Government of Bombay.

I am directed to acknowledge receipt of your letter No. S.23|9907|G dated the 11th May 1942 on the above subject and to convey to the Government of Bombay the thanks of my Committee for the action taken in supporting their suggestion to the Central Government for the continuance after the war of the manufacture in State and State-aided factories and

laboratories of chemicals and for publishing, at an early date, a record of such manufactures.

It is further requested that if any reply is received from the Government of India, a copy of the same may, in due course, be forwarded to this office for the information of my Committee.

In this connection, referring to the remarks about the efforts of the Indian Chemical Manufacturers Association, Calcutta, I am directed to point out that in their letters dated 14th March addressed to the Central Government and 16th March addressed to the Provincial Government, my Committee were particularly referring to the manufacture of chemicals in State and State-aided factories and laboratories. My Committee, therefore, seek an assurance that so far as the Government of Bombay are concerned, our Chamber may be kept fully informed from time to time about the manufacturing activities undertaken in such factories in the Province and that their manufacture shall be continued after the war and that they be placed on the market for finding their commercial and industrial value. My Committee feel that this will be the soundest and the only method of gaining experience about the economic value of the chemicals such as you mean in your letter under reply.

Letter No. S|23|22129-G, dated 11th January 1943, from General Department, Government of Bombay to Chamber.

With reference to your letter No. 2243, dated the 22nd May 1942, I am directed to state that no reply has so far been received from the Government of India to this Department letter No. S.23|9907|G, dated the 11th May 1942.

2. As regards the manufacture of chemicals in state-aided factories in this Province, I am to forward herewith copies of the correspondence noted in the margin, which gives information regarding the manufacturing activities of two state-aided concerns in the Province of Bombay.

1. *Letter from the Director of Industries, No. Chem. 31|2487-88, dated the 25th June 1942.*
2. *Letter, dated the 21st July 1942, from Messrs. Chemical, Industrial and Pharmaceutical Laboratories, Ltd., to the Director of Industries.*
3. *Letter from the Detergent Products Co., No. MFG-41, without date.*

3. As regards the assurance asked for in your letter under reference, I am to state that the Government of Bombay will render such assistance as it can to these and other similar concerns to continue to manufacture the necessary chemicals after the war.

Copy of letter No. Chem. 31|2487-88, *dated the* 25*th June* 1942, *from the Director of Industries, Bombay, to* (1) *Messrs. Chemical, Industrial and Pharmaceutical Laboratories, Ltd.,* 289, *Bellasis Road, Bombay, and* (2) *Messrs. The Detergent Products Company, Mazagaon, Bombay.*

Subject :—**Manufacture of Chemicals.**

I have to state that the war has stimulated the manufacture of several essential chemicals in several factories and laboratories in this Province. This Department is taking necessary steps to collect information and data with a view to the continued use of the latter and also with a view to determining the action which should be taken to ensure that such of the chemicals, which experience has shown can economically be made locally, continue to be manufactured after the war, thus making available the supplies of such chemicals for use in business and indigenous industries.

I shall, therefore, be obliged if you will kindly furnish the information under the following heads :—

(i) Your main lines of manufacture before the commencement of the war.
(ii) New lines taken up during the war period ;
(iii) Nature of products, whether commercial or pure, i.e. degree of purity ;
(iv) Maximum quantities produced in a month—
  (a) before the war ; and
  (b) during the war.
(v) Whether equipment was already available for making the products, if not, was it fabricated locally ;
(vi) Any difficulties experienced in obtaining supplies of raw materials, secondary chemicals, etc.
(vii) Whether you consider the manufacture of the products economically feasible after the war ; if not, what suggestions would you make for making it so ;

(viii) If any other lines were taken up and abandoned ; for what reasons.

Thanking you for a reply.

Copy of letter dated the 21st July 1942, from Messrs. Chemical, Industrial and Pharmaceutical Laboratories, Ltd., to the Director of Industries, Bombay.

"Re : Manufacture of Chemicals."

With reference to your letter No. Chem. 31|2487 of 25th June, we beg to inform you as follows :—

(1) Pharmaceutical preparations.

(2) The Manufacture of preparations identical to foreign medicines which were coming from Germany, Switzerland and other countries as per list attached.

(3) The manufacture of alkaloids such as :—
Emetine hydrochloride from Ipecacuanha only to be supplied to the Government.
Di-sodium methyl arsonate identical to Arrhenal Acriflavin, B.P.
Dehydrocholic Acid (Neocholin) identical to Decholin "Riedel"
Ephedrine Hydrochloride, B.P.

(4) The total production before the war was Rs. 80,000|- and during the war Rs. 1,50,000|- to Rs. 2,00,000 per month.

(5) The equipment was already there. On account of increased manufacturing activities various apparatus and equipment such as, Vacuum Distilling apparatus, Extraction apparatus, Steam Jacket Evaporating pans, Autoclaves, Plaster Cutting Machine, etc. have been made in our own Workshop.

(6) There has been considerable difficulty in obtaining supplies of steel, copper, tin, etc. for the manufacture of above apparatus. As regards manufacture of pharmaceutical products there was no difficulty uptil August, 1941. After that the Government introduced import control for the importation of raw chemicals from America which was the main source of supply. Even then we were getting restricted quantities for our needs, but these also have stopped since Japan entered War. India is not producing basic chemicals

for the Pharmaceutical Industry. Our Managing Director, Dr. K. A. Hamied, submitted a memorandum to the Commerce Dept. for the manufacture of a number of basic chemicals which will be useful for the manufacture of pharmaceutical products in India as well as for the use of University Laboratories. This memorandum has apparently been shelved.

(7) The feasibility of manufacture of basic chemicals as well as pharmaceutical products after the War depends on the protection given by the Government. If no protection is given the industry will have to face serious competition from foreign countries, which as you know, are highly advanced in these industries and can easily under-sell their products in our country. There is no scarcity of expert labour and trained chemists in India and given protection, the chemical and pharmaceutical Industry can be highly developed within a short time even today.

(8) So far we have not abandoned any line of manufacture but are afraid that very soon due to scarcity of supplies of basic chemicals, we shall have to give up some of our lines of manufacture."

Accompaniment.

CIPLA PRODUCTS CORRESPONDING TO FOREIGN PREPARATIONS.

CIPLA	FOREIGN
Betamid (Vitamin B1.) (Thiamin Hydrochloride, Aneurin)	Betaxin, Betabion (And other makes)
Cafimidon (no Aspirine)	Pyramidon + Caffeine + Phenacetine
Calcima (Calcium Gluconate-puriss) Ampoules, Tablets, Granules & Syrup	Calcium (Various makers)
Cardianid (Nikethamide) (Pyridin-B-Carboxydiethylamide)	Coramin
Cetamid (Vitamin C) (Ascorbic acid) Ampoules & Tablets.	Cantan, Cebion (And other makes)
Cipaferron (Liver extract oral)	Campoferron
Cipalon (Liver extract ampoules)	Campolon, Hepracton, Hepatopson
Corasol (Leptazol) (Pentamethylentetrazol)	Cardiazol, Metrazol

Detamid (Vitamin D)	Vigantol
Dirocal (Tablets)	Calcium Diuretin
Eucoal	Eucarbon Ultracarbon
Glycholates	Bicolates, Veracolate
Grape sugar solution	Grape sugar solution
Lupot	Lubrokal
Nicotinic Acid	Nicotinic Acid (Various makers).
Phenascodin	Gelonida, Treupel tablets.
Pulmotran	Transpulmine
Pyelopurin	Cylotropin
Sedamon	Veramon
Sulphanilamide	Prontosil
Tubersan (Colloidal Copper Formo Morrhuate 1 : 1000) ampoules	Gadusan
Theobital (Theobromine and Phenobarbital compound)	Theominal
Urobrom	Bromural.

Copy of letter No. MFG-41, from Messrs. The Detergent Products Co., 8-A, B. Anjir Bagh, Opposite Hasanabad, Bombay 10, to the Director of Industries, Bombay.

With reference to your letter No. Chem. 31|2488 of 25th June 1942, I am giving below the necessary information as required by you. (i) Soaps, Phenyl Disinfectants Chemical Specification Specialities. (ii) Manufacture of Linseed Oil Fatty Acids and Certain driers used in Paint line. (iii) Commercial, (iv) (a) line not undertaken. (b) Occasional and valued at approximately between Rs. 3,000|- to Rs. 5,000|- during the year from both the lines of manufactures. (v) Locally made equipment was available. (vi) Considerable difficulties were encountered in obtaining essential chemicals and in some cases we had to prepare some in our own works such as Causticized Alkali lye. (vii) Yes, but more attention will have to be paid to economic manufacture and for this improvisation of better equipment such as Double effect Evaporators Concentration tanks, etc. will be necessary. (viii) Some stray enquiries like rubber substitutes or Linseed Oil Factis were taken up but were given up chiefly due to shortage of secondary chemicals required.

In short, it is just a question of survival, by clever and ingenious manoeuvring.

I am sorry (for) the delay in replying but have personally explained to you the circumstances that intervened.

APPENDIX 128

Supplies of Caustic Soda

Letter No. 2259, dated 27th May 1942, from Chamber to Commerce Department, Government of India.

Recently it was announced that Government had introduced control over the distribution of the available supplies of Caustic Soda ; at the same time it was mentioned that particulars of requirements for essential civil purposes should be submitted to the Controller of Heavy Chemicals, Calcutta. Obviously, the intention was that civil requirements would also be met partly, if not fully.

My Committee, however, understand that Government are not issuing or even sanctioning small supplies for private applicants, and generally, the reply from the Controller is to the effect that " it is regretted that all supplies available are required for the execution of war contracts and therefore, supplies can be made to you."

In the case of industries like the Soap industry, for example, complete discontinuance of supply of Caustic Soda would amount to stoppage of manufacturing activities and the consequent disorganization in that industry. Incidentally, it may be mentioned that the ramifications of such a stoppage may be felt in several other directions. Where soap manufacture is carried on as part of some other industry, say oil crushing, the whole unit would get disorganized and even the cost of operations in the other branches of such composite factories would go up. More than that, soap is an essential article of civil requirement of every-day use, and total stoppage of the supply of an ingredient like caustic soda for an industry supplying a civil need is to be highly regretted.

My Committee realise that with the existing supply position, some measure of control is inevitable. At the same time, they submit that Government should see to it that all manufactures are issued some quotas out of the existing supply, so that complete stoppage of work by any factory may be avoided. In the meanwhile, serious efforts should be made to replenish supplies from new sources, so that the industry may be allowed to continue to function normally before long.

My Committee hope that Government will be pleased to reconsider the matter and to sanction the allotment of some quotas for ordinary civil and industrial purposes.

A copy of this letter is being sent to the Supply Department.

APPENDIX 129

Difficulties of the Match Industry re. obtaining Chemicals, etc.

Letter No. 2269, dated 27th May 1942, from Chamber to Commerce Department, Government of India.

The Indian Match Manufacturers' Association, which represents the Indian-owned Match factories, has drawn the attention of my Committee to the difficulties experienced by match manufacturers, particularly the smaller factories, in the matter of getting supplies of chemicals and other raw materials.

Chlorate of Potash. This is the chief and the most essential chemical required in the manufacture of matches. The same was being imported largely from Germany, and after the declaration of war, from Japan before the entry of that country into the war. Latterly, the only source of supply is the United States of America ; but considerable difficulty is being experienced by the Indian manufacturers in getting the necessary permits and priority certificates which would enable them to get timely and adequate supplies of the chemicals from that country. It is, therefore, requested that Government should arrange to issue the necessary priority certificates immediately applications are received from match manufacturers so that the industry may be enabled to continue its operations without any break or difficulty ; the Indian Purchasing Commission at the other end should also be informed by cable of the grants of permissions and certificates with a view to the necessary arrangements being made there. If steps are thus not taken to increase the supply of this chemical, over and above the difficulties experienced by manufacturers in getting the same, the price of the article, with the limited supplies in the home market, will rise abnormally.

Paper. Similarly, there is the difficulty in getting supplies of the special quality of paper required by the match industry. Here also, U.S.A. is the only source of supply, and permissions and priority certificates from Government should ordinarily be granted without any serious delay.

Match wood. The industry requires special qualities of soft-wood, and so far as Bombay factories are concerned, the supply is generally obtained from the Central Provinces and Central India. The smaller Indian-owned factories are experiencing difficulty in getting wagon facilities for transporting supplies of such wood. It is necessary to take care that the interests of smaller factories are protected and they should be given adequate transport facilities.

Fixing of retail prices of matches. The grievance of the Indian match manufacturers is that in regard to the proposals for regulating the retail price of matches Government have been acting only on the advice or suggestions of the Western India Match Company and that the owners of small factories have not been consulted. Government should give them also equal opportunity to put their point of view before the authorities. It is requested that the price controlling authority should bear this in mind and fix retail prices in consultation with the Indian match factory owners.

Letter No. 790-I.C.|42, dated 18th July 1942, from Commerce Department, Government of India to Chamber.

I am directed to refer to your letter No. 2269, dated the 27th May 1942, in regard to the alleged difficulties of match manufacturers, particularly the smaller factories, in getting supplies of chemicals and other raw materials.

2. As regards assistance for the import of chlorate of potash and paper required for the match industry, I am to say that in order to avoid delays in granting import assistance in future, the Government of India have now made arrangements under which all particulars regarding import licenses granted for pottassium Chlorate and paper will be forwarded, as soon as such licenses are granted, to the Indian Purchasing Mission, who will treat these particulars as a recommendation for the grant of priority assistance for the goods concerned.

3. As regards wagon facilities for transporting supplies of match wood, I am to say that the Government of India have not so far received any specific requests in the matter. The needs of the industry in this matter have, however, been duly noted by the Communications Department of the Government of India.

4. As regards control over retail prices of matches, I am to say that the Government will be glad to consider any concrete suggestions which the Chamber may have to make in the matter.

Letter No. 3167, *dated 2nd September* 1942, *from Chamber to Commerce Department, Government of India.*

I am directed to refer to your letter No. M.790-I.C.|42, dated the 18th July 1942, on the above subject.

In para 3 thereof, it was observed that " the Government of India have not so far received any specific requests in the matter. The needs of the industry in this matter have, however, been duly noted by the Communications Department." My Committee have before them a case of difficulty experienced by the match manufacturers for want of wagon facilities. The New Era Match Company, Jogeshwari (near Bombay) were getting their requirements of matchwood splints from stations on the South Indian Railway such as Ottapalam, Pattambi, Tellichery, etc. For sometime past, due to the restrictions on booking, no wagons are being allotted for the matchwood from those stations, with the result that their manufacturing activities are seriously jeopardised. They had recently addressed the South Indian Railway Company in the matter, and a copy of the reply from the Railway regretting inability to resume booking is sent herewith.

My Committee therefore request that you will be pleased to commend the case of this concern to the Communications Department for favourable consideration. I may add that a copy of this letter is being sent to the Communications Department.

APPENDIX 130

Requisition of Sulphur Stocks by Government.

Letter No. 3732, dated 13th November 1942, from Chamber to Supply Department, Government of India.

The attention of my Committee has been drawn to the requisition order served on Messrs. Ramco Chemical Works, Ahmedabad, a member firm of this Chamber, by the Deputy Secretary to the Government of India in the Department of Supply, No. SS|6 (116), dated the 20th October 1942, requiring the supply of 120 tons of sulphur to Messrs. Shambhu Nath & Sons, Amritsar, and 30 tons of sulphur to Messrs. S. P. Chemical Works, Amritsar. It is presumed that these two concerns are engaged in some war work on behalf of Government and that these supplies are required in connection therewith.

While my Committee realise that Government should have prior claim on the available supplies of any chemicals such as sulphur for furtherance of their war work, in a case like the one under discussion there are, however, certain special considerations which my Committee would like to urge on the attention of Government. In the first place, the Ramco Chemical Works are industrial consumers as distinguished from traders and merchants in chemicals and they have acquired stocks of sulphur for use in their own factory. As Government are aware, the market rate at present for sulphur is very high and it is very difficult even to get supplies in adequate quantities. If the supplies built up by them for their own use are now drawn upon in this manner they will, in due course, experience difficulties to meet their requirements. Moreover, they are themselves manufacturing various chemicals required by railways, electrical stores, municipalities, hospitals, etc. and thus doing, directly or indirectly, war work.

My Committee also understand that the Ramco Chemicals are extending their manufacturing activities and hope to introduce shortly new lines for which sulphur would be required. It is in anticipation of their own requirements that they have laid up stocks whenever it was convenient and

possible to do so. If they are obliged to part with their existing stocks, it stands to reason that they will be handicapped in their programme of expansion.

So far as the quantities actually requisitioned under the above order are concerned, it would appear that the parties to whom the supplies have been delivered are agreeable to replace the same as soon as the supplies, which they expect from America, are received. In this connection, the Ramco Chemical Works have demanded that such replacement should be guaranteed by Government within a specified time. Government, having requisitioned the supply, my Committee feel that the request of the Works for a Government guarantee is but fair and the same should be agreed to. If Government, however, would not like to guarantee replacement by the parties concerned, they should themselves agree to replace the said quantities from supplies which may in future be coming from America under the Lease-Lend facilities.

Alternatively, if the above proposal is not considered feasible, the Ramco Chemical Works should be allowed to make purchases of supplies in replacement from the market at the cost and risk of the parties in Amritsar, and this should be guaranteed by Government.

My Committee request that Government will be pleased to consider the above matter sympathetically. In particular, they wish to urge that stocks of industrial undertakings should not, as far as possible, be requisitioned and if on any occasion Government find themselves constrained to acquire such stocks, it should be on the basis that Government would undertake to replace the same at the earliest possible opportunity.

Letter No. SS|6 (116), dated 1st December 1942, from Supply Department, Government of India to Chamber.

I am directed to refer to your letter No. 3732, dated the 13th November 1942, and to say that this Department is fully aware of the stock position of Messrs. Ramco Chemical Works.

In view of the acute shortage of sulphur in the country, the Government of India are taking steps to import adequate

quantities of sulphur. The essential requirements of Messrs. Ramco Chemical Works will be considered when examining the question of distributing this imported sulphur.

APPENDIX 131

Production of Indian News-Reels.

Letter No. 996, dated 2nd April 1942, from Chamber to Information of Broadcasting, Government of India, New Delhi.

I am directed by the Committee of the Indian Merchants' Chamber to send to you hereby a note entitled "A Plea for Indian Newsreels" by Mr. Y. A. Fazalbhoy of the National Studios, Ltd., a Member-Firm of this Chamber wherein a strong case has been made out for taking immediate steps for the production of Newsreels and documentary pictures in this country. The importance of this branch of cinematograph activity has by now been realised and in all advanced countries newsreels and pictures of topical events, besides serving the purpose of propaganda and publicity, have come to be recognised as a medium of great educational value. On occasions of an emergency like the present, Government's war efforts and war intentions can be more effectively impressed on the general public through the medium of such newsreels or documentary pictures. It is, therefore, necessary that Government should give this matter their early consideration and take steps to devise ways and means for achieving this object.

In this connection, it may be emphasised that this should not be merely left to private efforts as in other countries as conditions here are different. The initiative must come from Government and they should, in consultation with the manufacturers and producers, bring about the necessary organisation to promote production of newsreels and documentary pictures. Government by making it compulsory on all Exhibitors to include a certain footage of newsreels in all shows can give effective and direct assistance to achieve the object. They should also give necessary assistance in the initial stages.

My Committee hope that Government will be pleased to give their careful consideration to the issues raised in the note

and take such steps as would achieve the object in view without loss of time.

APPENDIX 132

Manufacture of Power Alcohol from Molasses.

Letter No. 2375, *dated* 10*th June* 1942, *from Chamber to General Department, Government of Bombay.*

The attention of the Government of Bombay must have been drawn to the following extract from the summary of the report of the American Technical Mission published a short while back:—

> "The Mission specifically recommends a further investigation into the possibility of producing power alcohol;"

The Committee of this Chamber have been taking a good deal of interest in this question since a long time. They are of opinion that it is vitally essential for the future of the sugar industry as well as for the development of transport industry in the country that Government should give every possible facility for the manufacture of power alcohol from molasses. Specially is this so, since petrol is now rationed and all the industries and trade suffer very much from the restrictions and limitations put upon the distribution and supply of petrol for the use of motor cars and motor lorries. My Committee will, therefore, be obliged if the Government of Bombay will be pleased now to take up the question of utilisation of molasses for purposes of manufacturing alcohol and not for manufacturing country liquor as is being done at Nasik.

Letter No. 5815-C|39, *dated* 29*th June* 1942, *from Revenue Department, Government of Bombay to Chamber.*

With reference to your letter No. 2375, dated 10th June 1942, I am directed to inform you that the question of utilising molasses for the manufacture of power alcohol is already under the consideration of Government.

Letter No. 2686-*A, dated* 20*th July* 1942, *from Chamber to Revenue Department, Government of Bombay.*

I am directed to acknowledge the receipt of your letter No. 5815-C|39, dated 29th June 1942, on the above subject, and

to thank you for the same. My Committee note that the question of utilising molasses for the manufacture of power alcohol is already under the consideration of Government. They would, however, like to urge that Government should expedite the matter. The present time is quite opportune for taking in hand without any loss of time the manufacture of this essential article, as with the rigid rationing of petrol and difficulties in getting alternative supplies there would indeed be a demand for all the alcohol that could be manufactured from the molasses available in the Presidency. Moreover, the Government of India have also announced their anxiety to assist in the development of this industry by facilitating the importation of essential machinery, etc. where necessary. My Committee further understand that the Government of India have ordered out from the U.S.A. 12 plants for manufacturing power alcohol and they urge that the Government of Bombay will secure for this province at-least one of them. It is therefore hoped that Government will move in the matter without any further delay.

My Committee further suggest that the question of manufacturing chemicals from molasses should now be actively examined, so that the utilisation of molasses for this purpose also may be made a practicable proposition. We are informed by the Excise Commissioner by letter No. 23A-12|42, dated 28th April 1942, that the Nasik Distillery produces Ethyl Alcohol from molasses. From this chemical also acetones and allied products can be manufactured. The manufacture of such products from molasses has been successfully achieved by the Butler's Technological Institute and the products are utilised since some considerable time. During the last war Acetic Acid was produced by the Nasik Distillery. Government are also aware that these essential chemicals are in urgent demand by the industries in the province, particularly the textile and for the Acetate Rayon for which funds were allocated by Government as early as 1938|39 and want of acetic acid and its need was frequently emphasised by the Vice-Chairman of the Indian Central Cotton Committee specially at the 38th conference held at Lyalpur on 17, 18 and 19th November 1938. The Director of Industries, Bombay, observes in his report for 1940|41, Page 15, Para 39, that in-

vestigations carried out in the Industrial Chemist's Laboratories have successfully produced Acetone from Ethyl Alcohol from molasses. Government are thus in full possession of information about the production and demand for these essential chemicals and their absence is a handicap to the establishment of Rayon industry in the province. My Committee, therefore, earnestly suggest that the production of these essential chemicals be taken in hand without further loss of time.

Letter No. 5815-39|17611-C, *dated 29th September* 1942, *from General Department, Government of Bombay to Chamber.*

With reference to your letter, No. 2686, dated 20th July 1942, I am directed to say that Government has decided to grant licences to Sugar Companies for the manufacture of power alcohol from molasses and that the licences will be granted as soon as the Bombay Power Alcohol and Petroleum Bill is enacted and the Sugar Companies are ready to start manufacturing power alcohol.

2. It is learnt on enquiries made with the Government of India that no order has been placed by them with the United States of America for any power alcohol distillery plants but that the Government of India will be ready to assist such industrialists as desire to set up power alcohol distilleries in procuring such plants through the Indian Purchasing Mission in the United States of America.

3. The entire quantity of molasses available in the province at present is not sufficient for production of the total quantity of power alcohol required for mixture with petrol. As the quantity of molasses is limited your suggestion that Government should take in hand the manufacture of acetone and allied chemicals from molasses, cannot be adopted. Moreover the Nasik Distillery plant is not suitable for the purpose and the equipment required for the manufacture of these chemicals is not obtainable owing to war conditions.

APPENDIX 133

Purchase of Swadeshi Stores by the Director of Industries

Letter No. 2592, dated 7th July 1942, from Chamber to The Director of Industries, Bombay.

The attention of the Committee of this Chamber has been drawn to a Committee, which was appointed by the Government of Bombay (Vide General Department Resolution No. 2399|33, dated 3rd December 1937) to consider the question of purchasing Swadeshi stores for Government Departments. It appears that the said Committee recommended the formulation of a certain policy with regard to the purchase of stores for Government requirements, and that the task of purchasing these stores was assigned to you. My Committee will be greatly obliged if you will be kind enough to let them know :—

1. (a) What articles were thus purchased by you ;

(b) Which departments of Government were thus placing their orders with you in conformity with the recommendations of the said Committee, and which Departments have not taken to your assistance and selection ?

2. Did you find in your experience that certain articles required by Government could not be procured from India and particularly local sources ; and, if so, what were those articles ?

3. What were the differences in price between the Indian and locally manufactured articles and similar articles of foreign manufacture ?

4. Have any steps been taken by Government to get manufactured those articles which were not available locally ?

5. Whether any portion of the Fund set apart for assisting industries was drawn upon for purposes of such an encouragement ; and whether you helped from grants and financial allocations at your disposal ?

6. What was your experience of the technical skill manifested or otherwise with regard to the manufacture of such

articles ? If it was found that the manufacture of certain articles suffered because of want of technical training and technical skill, what were the steps taken to remedy the defect ? How far were they successful ?

7. What has been the progress of paper manufacture prospected for Poona and Karnatak Districts ?

8. Have any steps been taken to reduce the Bamboo in and near the Province and Thana grass and rice husks to pulp for paper, straw boards or craft papers and similar productions and plastics ?

9. What steps have been taken to develop aluminium manufacture from alumina by your Department, worked for over six years, from bauxite in the Presidency ; and was any research made for raw materials for glass manufacture—specially sheet and plate glass—and with what results ?

10. Has canning of Indian fruits received your attention ?

11. Has your Department moved for manufacturing Loaf and Icing and other sugars from provincial sugar as also sugar-candy crystals and lissa sugar like the Chinese varieties ?

12. Were any foreign chemicals or foreign skilled personnel found necessary to bring Indian canning equal to imported articles ?

13. Has your Department moved for production of chemicals from molasses and cellulose products from bagasse ? To our knowledge Nasik Distillery produced acetones and allied products from Ethylalchohol ; can it not do so now from molasses as sufficient production of the same is available in the province ?

My Committee are informed that there is the Provincial Industrial Research Committee appointed in January 1941 by the Provincial Government, in Bombay, and they will be obliged if you will kindly let them know whether they have so far recommended any schemes, under their references (a), (b), (c) and whether any action has been taken on such recommendations.

They would also like to know whether persons, who take interest in scientific industrial researches will be allowed to se

and examine the results of progress of the research done and chemicals produced under the direction of the Department of Industries.

Letter No. S. P. 103, *dated* 13*th July* 1942, *from Director of Industries, Bombay to Chamber.*

In reply to your letter No. 2592, dated 6th|7th July 1942, I have the honour to state that a Central Stores Purchase Organization has been sanctioned by Government and has come into effect from June 1st, 1942. It is, therefore, too early to reply to your queries 1 to 6.

As regards other points raised in your letter I shall address you separately in due course.

Letter No. S. P. 1008, *dated* 29*th September* 1942, *from The Director of Industries, Bombay to Chamber.*

In continuation of this office letter No. S. P. 103, dated 13th July, 1942, I have the honour to furnish the information in respect of the several queries (No. 7 onwards) mentioned in your letter No. 2592, dated 6|7th July, 1942.

Hand Made Paper. The Government of Bombay have financed the Paper Research Centre, Poona, of the All India Village Industries' Association. The work in respect of hand-made paper from different raw materials available in this Province has progressed for the last two years and has been reviewed in the Annual Report of this Department (1941).

Similar work is now projected for Karnatak District.

Bamboo pulp. Government have granted certain concessions to the Kanara Pulp & Paper Mills, Ltd., for their paper manufacturing centre at Khanapur for utilising bamboos from the Belgaum forests.

Grass. Some samples of grass in the Thana District were found satisfactory for making strawboard by the Forest Research Institute, Dehra Dun. A strawboard manufacturing factory has commenced working recently at Panvel, District Kolaba.

Rice Husk. It is known that rice husk is utilised for making insulation boards by a concern in Bombay. Arrange-

ments are being made by this Department for conducting experiments for utilising rice husk in the manufacture of strawboards with certain long-fibred materials at the Forest Research Institute, Dehra Dun.

Bauxite Deposits. This Department has published a Bulletin on "The Possibility of Production of Aluminium in Bombay." Recently a mining lease has been granted by Government to a party for working the bauxite deposit in Belgaum District.

Sand for Glass. Experiments carried out in this Department have revealed the possibility of utilising sand deposits of North Kanara and Ratnagiri District for the manufacture of glass.

Canning Industry. From time to time, advice has been given by this Department to the fruit canning concerns. The Horticulturist to Government—College of Agriculture, Poona, has been doing considerable amount of experimental work on this subject and a reference to him is suggested.

Loaf Sugar. This Department has done no work on this subject. A reference is suggested to the Imperial Institute of Sugar Technology, Cawnpore.

Power Alcohol. The question of the production of power-alcohol from molasses is considered important at the present time; it is expected that the production of power-alcohol will be commenced at a very early date at the distilleries which are being put up by two sugar factories of this Province. The total quantity of molasses available in this Province is not enough for making power-alcohol required for mixing with petrol to meet the large demands of this Province.

Chemicals from Molasses. Equipment for the conversion of alcohol into acetone and other chemicals is not obtainable at the present time owing to war conditions.

Bagasse. This Department sometime back drew your attention to the investigations of the Imperial Council of Agricultural Research into the economical utilisation of bagasse for the manufacture of insulation and press-boards, wrapping-papers and straw-boards and you were requested to circularise this information to the members of your Chamber

Research Work. The Results of the research work of this Department are available to the public and sometimes demonstrations may be given in special cases. This Department proposed eleven research schemes for the consideration of the Provincial Research Committee. On a reference being made to the Board of Scientific & Industrial Research, Delhi, it was found out that eight of them were being worked out elsewhere. Only three schemes were referred to Government for the sanction of the necessary funds for working them out ; but the proposals were not accepted. A further reference has been made to B. S. I. R., Delhi, in connection with other research work proposed to be undertaken here.

I trust the above information will meet with your requirements.

APPENDIX 134

Cultivation of Cinchona

Letter No. S 23|16381-D, dated 5th December 1942, from General Department, Government of Bombay to Chamber.

I am directed to invite reference to the concluding portion of this Department letter No S. 23|12250-D, dated the 15th August 1939, on the subject mentioned above, and to say that the question of the possibility of cultivating cinchona plant in this Province was considered by the Director of Agriculture and the Chief Conservator of Forests in this Province. They have come to the conclusion that cinchona cannot be cultivated profitably anywhere in the Province of Bombay and though it might be possible to rear it the object Government have in view could not be gained, viz. the production of quinine, owing to acid deficiency in the soil. Cinchona requires rainfall distributed over 9 to 10 months in the year, whereas in no part of the Bombay Province does rainfall last for more than four months. Rainfall distribution and acidity of the soil are limiting factors in the successful cultivation of cinchona in the Bombay Province. In the circumstances reported by the Director of Agriculture and the Chief Conservator of Forests, the Government of Bombay have not taken any further action in the matter of cultivation of cinchona in this Province.

APPENDIX 135

Indian Stores Department Tenders and Manufacturers' Invoices

Letter No. CAO|1B|11(2), dated 21st January 1942, from Supply Department, Government of India to Chamber.

With reference to your letter No. 2880, dated the 17th November 1941, addressed to the Chief Controller of Stores, Indian Stores Department, New Delhi, on the subject mentioned above, I have the honour to state that the observations made therein are fully appreciated.

Without prejudice to the powers vesting in the Central Government by virtue of the Defence of India Rules, I may state for the information of your Chamber that the condition requiring the production of manufacturers' invoices with a view to determining the reasonableness of the rates accepted is intended normally to apply only in respect of Contracts negotiated on a basis other than that of Competitive tenders.

Steps have been taken to ensure the due observance of this procedure by the Purchase Branch of the Supply Department.

Letter No. 767, dated 13th March 1942, from Chamber to Department of Supply, Government of India.

I am directed to acknowledge the receipt of your letter No. C.A.O.|1B|11(2), dated the 21st January 1942.

My Committee note that the condition requiring the production of manufacturers' invoices for determining the reasonableness of the rates is intended normally to apply only in respect of contracts negotiated on a basis other than of competitive tenders. While my Committee appreciate the intention of Government not to call for production of documents in cases where contracts are negotiated on the basis of competitive tenders, their information is that the effect is sometimes nullified by the authorities resorting to the Defence of India Rules in such cases. The Chief Controller of Supply, Purchase Branch, Bombay, my Committee are informed, had discontinued, for sometime past, to put up, on tenders, by rubber stamp, the additional condition to produce documents; bu

what he is said to actually do is that after tenders are opened and scrutinised, merchants are asked to produce invoices to ascertain the reasonableness of the rates quoted and in the event of their refusing to do so, they are said to be threatened with the Defence of India Rules. It will be thus seen that the intention of the Department of Supply, Purchase Branch, to only call for production of documents where no competitive tenders are invited, is mostly nullified. My Committee, therefore, beg to request Government to be pleased to consider this question favourably, as the practice which is alleged to be followed is pressing harshly upon business people. My Committee are afraid that it will prevent genuine and bona fide merchants from offering tenders for purchases by Government.

Letter No. CAO 1|3B-11(2), dated 20th June 1942, from Supply Department, Government of India to Chamber.

With reference to your letter No. 767, dated the 13th March 1942, and in continuation of my letter No. C.A.O. 1-B|11(2), dated the 20th March 1942, I have the honour to state that the policy of the Government of India not to include *normally* the Book Examination Clause in contracts awarded as a result of competitive tenders still remains unchanged. It will be realised, however, that often a purchase starts with competitive tenders but finally the contract has to be placed with a contractor whose tender is the only acceptable one received and so partakes of the nature of a single tender : or the contract has finally to be placed by negotiation. In such cases there is no guarantee that the price accepted is limited by the salutary influence of free competition and Government may find it necessary to have the safeguard of an examination of books to enable it to check that the price is reasonable. There is no intention that the Book Examination Clause should be used as a means to enforce a price revision except when a clear provision for this exists in the contract. The information obtained from the examination of books however will assist Government to assess a reasonable price for the purpose of future contracts.

2. It has been decided to include the Book Examination Clause in *all* Invitations to Tender issued by the Supply Department, since Government must establish the right to

insert the clause in the final contract where this proves necessary. It will not, however, necessarily be used in the final contract : for instance, it will not, as explained above, be used in contracts placed as a result of genuinely competitive tenders.

3. Strict instructions have been issued to all concerned that the details of the examination of contractors' accounts and documents, etc. must be kept confidential.

4. I trust that your Chamber will appreciate the position of Government in this matter and render every co-operation possible.

APPENDIX 136

Standard Conditions of Contracts for the Supply of Stores

Letter No. 41\|140\|S, dated 26th February 1942, from Railway Board to Chamber.

With reference to your letter No. 53, dated 7th January 1942, and connected correspondence, it is regretted that considerable delay has taken place in the disposal of this matter but reference was necessary to the Bombay, Baroda and Central India Railway.

2. In the discussion of this matter with the Chief Commissioner in August last, the points made by the Chamber were that clauses 3 and 22 of the Bombay, Baroda and Central India Railway conditions of tender had, in regard to the two Firms in question, been operated to cause loss and that these clauses needed revision.

3. With regard to clause 3, it is pointed out that it is open to any Tenderer to specify a period for which his tenders shall remain valid if in his opinion such action is desirable to safeguard his interests. In these circumstances, the clause in question appears unobjectionable and the Board see no reason to contemplate its revision.

4. So far as clause 22 is concerned, this clause has been in general use by Railways and the Indian Stores Department for Running Contracts over a considerable period but the

Board understand the margin has been reduced to 10% more or less in most cases to meet the wishes of Tenderers since the War broke out. The necessity, therefore, does not arise for any formal revision of the standard conditions at this stage.

5. Turning now to the application of these two clauses to the Firms in question, from a perusal of all the relevant papers the Board are unable to accept the view that the action of the Bombay, Baroda and Central India Railway in these cases has been harsh and do not, therefore, feel justified in approaching the General Manager, with whom responsibility for settlement rests, for reconsideration of his decisions in the matter.

APPENDIX 137

Relief by Way of Moratorium to Debtors Whose Assets are in the Enemy Territory.

Letter No. 6137/4-B, dated 20th July 1942, from The Home Department, Government of India to Chamber.

I am directed to forward herewith a copy of a letter from the Government of India, Department of Indians Overseas, No. F.131-11/42-O.S., dated the 27th June 1942, and to request you to favour Government with the views of the Indian Merchants Chamber, Bombay, in the matter.

It is requested that your reply may be sent so as to reach this Department before the 15th August at the latest.

Relief by way of Moratorium or otherwise to Debtors in India whose Assets are in Territories occupied by Enemy

I am directed to say that it has been represented to the Government of India that there are a number of persons in India, both among evacuees and others, who, because their assets are mainly in territories now under enemy occupation, are unable to face their creditors in India and that the enforcement of the payment of debt by processes of law will in such cases cause undeserved hardship to the debtors. It has there-

fore been suggested that debtors of this class should be afforded protection either by way of moratorium or otherwise.

2. The Government of India are not aware whether the number of debtors of this class against whom the processes of law have been or are likely to be invoked is large enough to justify active consideration of this question. In considering matters of relief to such debtors it would also appear to be necessary to guard against the possibility of unfairness or undue hardship to the creditors. The debtors may in many cases not mainly be dependent on their incomes from the enemy occupied territories or even if they are, they may be able to meet their liabilities from their other available assets without sustaining a severe blow.

3. I am to request that the Government of India may kindly be favoured with the opinions of the Provincial Government/your opinion as to whether the question of granting any relief to these debtors should be pursued and if so, on what lines. The Provincial Governments/you will no doubt like to consult the High Courts and other legal authorities and also the local chambers of commerce and other commercial interests before formulating their/your views in the matter.

Letter No. 3170, *dated 2nd September* 1942, *from Chamber to Home Department, Government of India.*

I am directed by my Committee to refer to your letter No. 6137|4-B of the 20th July 1942, on the above subject. They have considered the suggestions therein. Naturally, they are in sympathy with the position of debtors who, by reason of their assets being locked up or lost in enemy territories, are not in a position to make payment of the same. If the creditors are entitled to enforce the natural process of Law, such debtors would indeed be placed in a very difficult situation. At the same time, it is necessary to safeguard that any relief proposed to be given should be available only to debtors, a substantial portion of whose assets are in territories under enemy occupation ; the onus of proving that their assets are mainly in such territories should lie on the debtors concerned.

APPENDIX 138

Re-export of Goods Shipped to Rangoon.

Telegram dated 4th February 1942, *from Chamber to Commerce Department, Government of India.*

Committee Indian Merchants Chamber are receiving anxious enquiries from exporters and shippers of the position of cargo shipped to or unloaded in Rangoon recently. Due to disorganised condition in that port consequent upon war developments consignees and agents have left port centre to interior or have gone out of country. Goods therefore lying in docks uncleared. Understand that efforts to get same re-exported unsuccessful as difficulties are reported experienced in getting necessary permission from the customs and for export licenses. Request that Government of India should make arrangements with Burma Government for re-export of such unclaimed goods as otherwise Indian interests would suffer. If such goods are required for consumption or use in Burma Government of Burma should undertake to handle disposal of same and pay proper price to Indian exporters concerned. Urge early action. Also please indicate by immediate reply what Government propose to do so that interests affected may feel reassured.

Letter No. 56-C (3) 42, *dated 9th February* 1942, *from Commerce Department to Chamber.*

With reference to your telegram No. 165, dated the 4th February 1942, regarding the position of goods shipped to and unloaded at Rangoon I am directed to say that in response to representations received from other quarters the Government of India have already addressed the Government of Burma in this matter and their reply is awaited. On its receipt a further communication will be addressed to you.

APPENDIX 139

Shipments to East Africa from Bombay.

Letter No. 2372, dated 10th June 1942, from Chamber to Bombay Underwriters' Association, Bombay.

With further reference to your letter of the 1st April on the above subject, from enquiries made in the matter, my Committee understand that when Mills are informed that particular purchases were meant for export, they generally gave special packing which included double bardan and tarpaulins to ensure that no damage occurred during long voyage.

APPENDIX 140

Excessive Fees for the Issue of Tender Forms

Letter No. 3267, dated 21st September 1942, from Chamber to Chief Controller of Stores, New Delhi.

I am directed by my Committee to address you in connection with the fees charged for tender forms issued by the Deputy Controller, Central Stationery Office, Calcutta, which are considered excessive by the merchant community.

In the case under reference, a member firm of this Chamber has complained with regard to the intimation dated 13th August 1942, from the Deputy Controller that the tenderer has to pay a composite fee of Rs. 45 for 7 different varieties of ink mentioned in the tender. In the opinion of my Committee the complaint of the firm appears to be justified as the charges for different tenders are found to be excessive. While my Committee realise that the Department is entitled to charge fees for the issue of such tenders, they submit that there can be no reason for charging fees at such high rates. From as long as 6th December 1938 this question of excessive fees for tender forms has been engaging the attention of my Committee. They had addressed your Department on 11th September 1940 in this connection, but your Department was not prepared to make any reduction in the charges for tender forms nor was it prepared to resile from the rules fixed for

the purpose. My Committee hope that a public utility department such as yours, will appreciate the difficulties caused to merchants by such excessive rates of fees. They beg to suggest in this connection that a nominal composite fee may be prescribed for the different items of inks as mentioned in the intimation under reference which would be within the means of the tenderers.

Letter No. 42|74|42-*A, dated* 16*th March* 1943, *from Controller of Printing and Stationery to Chamber.*

With reference to your letter No. 3267, dated the 21st September 1942, addressed to the Chief Controller of Stores, Indian Stores Deptt., New Delhi, I have the honour to say that the Central Stationery Office does not make any profit from the sale of tender forms and the actual expenditure incurred on printing advertisements, etc. is more than their sale proceeds. Their prices are fixed with reference to the estimated value of contracts on a sliding scale as adopted by the Indian Stores Deptt. It is, therefore, regretted that this office is unable to revise the existing fees for tender forms.

APPENDIX 141

Increase in the Prices of Paper and Articles of Stationery.

Letter No. 3852, *dated* 25*th November* 1942, *from Chamber to Finance Department, Government of Bombay.*

My Committee have received complaints drawing their attention to the recent increases in the prices of paper and other articles of stationery, such as pens, paper-clips, pins, pencils, etc. You must no doubt have seen reports and comments which appeared in the local Press describing the situation in detail. I am sending herewith a comparative statement showing the prices of typical items of stationery in daily use in the different offices in the City. The same has been furnished by a member on the basis of actual quotations received by his Company. It will be observed that the increases are of an abnormal character, and as such calls for serious attention of Government.

My Committee request that Government will be pleased to go into this matter and take such steps as would check profiteering in these articles.

List of Articles of Stationery

Articles. 1942	Rate in July.	Rate on Oct. 22.	Rate on Nov. 17.	Per.
	Rs. a. p.	Rs. a. p.	Rs. a. p.	
Pins 1".	4 8 0	8 0 0	16 0 0	Box of 1 Lb.
Clips (Gem)	2 12 0	5 4 0	16 0 0	„ of 1000.
Pencils :				
Black, Indian (Star of India)	8 8 0	14 0 0	27 0 0	Gross.
„ English	...	20 0 0	46 0 0	„
„ U. S. A.	...	...	35 0 0	„
Copying :-				
Indian (Imperial)	33 0 0	33 0 0	72 0 0	„
English (Kohinoor)	50 0 0	...	144 0 0	„
A. W. Faber	50 0 0	...	144 0 0	„
Red & Blue :-				
Indian (Star of India)	25 8 0	37 8 0	Not available.	„
English (Cumberland)	...	66 0 0	108 0 0	„
Japan.	...	...	72 0 0	„
Nibs :-				
Relief (Indian)	1 8 0	...	5 0 0	Box of 1 Gross.
„ English.	2 6 6	8 8 0	33 0 0	„
Papers :-				
Foolscap 8 lbs.	...	8 8 0	13 8 0	Ream.
„ 10 „	...	9 0 0	14 8 0	„
Bank Post :-				
Star Bond 14 lbs.	11 4 0	12 0 0	21 0 0	„

APPENDIX 142

Control Orders on Iron and Steel.

Telegram dated 9th October 1942, from Chamber to Supply Department, Government of India.

Attention of the Committee of the Indian Merchants' Chamber has been drawn to recent orders issued by Government regarding iron and steel first controlling movement second controlling distribution and third demanding detailed information about stocks. All these orders have caused good deal of apprehension among merchants all over the country. These orders will interfere very seriously with legitimate trade which has been already hard hit by several wartime rules and regulations. The first order regulating movement may be relaxed so as to allow stockholders to transfer their goods from

one premises to another without the authorisation of iron and steel controller if such transfer is not outside the city limits. With regard to control of distribution order it may be relaxed whereby merchants should be permitted to sell without license small quantities permitted under iron and steel control of distribution order 1941 and second schedule thereto and transactions amongst registered stockholders be permitted as hithertofore. Regarding information order merchants while agreeable to give approximate statements of stocks against various categories controlled by the order are unable to give any such detailed stock statements as are required their inability to comply with this order being largely due to shortage of labour and the tremendous expenditure involved in getting correct weights of such section. Stock statements were originally submitted to iron and steel controller and thereafter merchants have received no stocks whatsoever from any producer except controlled stocks governed by various regulations laid down by the controller. Particulars of controlled stocks are available as in large important centres they are managed by a Central Authority that is Tata Bar Dealers' Association and Tata Galvanised Sheet Merchants' Association. Committee request under the circumstances that the above three orders may please be withdrawn.

APPENDIX 143

Control on Export of Metal Containers*

Letter No. 91-C.W.(20), *dated* 16*th December* 1941, *from Commerce Department, Government of India to Chamber.*

With reference to the correspondence ending with your letter No. 3030, dated 29th Nov. 1941, I am directed to say that in view of supply difficulties, the Government of India regret that they cannot permit unrestricted export of metal containers abroad, but subject to this consideration, they are now meeting the reasonable requirements of trade as far as possible. For the time being they are granting licences in accordance with the principles mentioned below but it must be understood that the principles are subject to change at any

* For previous correspondence see Report, 1941, p. 575.

time according to changes in the supply position which is constantly under review :—

(i) Licences for secondhand containers are in general given fairly freely.

(ii) Licences for containers or drums of larger capacity are likely to be given more freely than for those of smaller capacity.

(iii) As regards new containers, exports will be controlled strictly, particularly for tins.

(iv) Licences are also granted fairly freely in cases in which stocks are genuinely held from before, but a distinction is made between such genuinely held stocks and orders placed or purchases made for specific consignments.

(v) Applications for export to hard currency countries or to empire or allied countries will receive priority of consideration.

(vi) There are no restrictions on export of metal containers to Burma when in actual use as containers of any goods.

Letter No. 3684, *dated 5th November* 1942, *from Chamber to Commerce Department, Government of India.*

The exporters of vegetable oils experienced great difficulties in securing export licenses for metal containers sometime back. As a result of the correspondence my Committee had with the Department of Commerce and of an interview with Mr. Pillay, Joint Secretary to the Department, these difficulties were, for the time at least, removed. My Committee are now informed that considerable delays, again, are being experienced by exporter-members in securing export licenses to the detriment of export trade in vegetable oils. The purpose of this letter is not only to bring to your notice the difficulties due to these delays in granting the licenses, but also to some other difficulties in this connection which are more serious than delays. For instance, the licenses granted, which are valid only for a period of two months from the date of issue, very often cannot be utilised during that period due to unavailability of shipping space. In cases like this, the export licenses

ought to be renewed without any alteration or any delay and the power of renewal should be vested in the Export Trade Controller at Bombay. My Committee are suggesting this procedure not only to save time but also to save all expenses and inconveniences to exporters as they generally keep the stock of oil and metal containers ready for shipment ; and in cases like this if either the license is not renewed or the quantity is cut down, it would be very difficult, almost impossible, for the shippers to dispose off the cut down quantity of the containers and oils. The exporters very often may have to miss shipping opportunities, which are also very few now-a-days, due to the delays in renewal of licenses.

Letter No. 91 *CWB* (20) |41, *dated* 29*th December* 1942, *from Commerce Department, Government of India to Chamber.*

With reference to your letter No. 3684, dated the 5th November 1942, on the above subject, I am directed to say that in view of certain difficulties experienced by the exporters of vegetable oil, Government of India have recently authorised the Export Trade Controllers to issue licences each month for export in metal containers up to 75% of an exporter's average monthly exports during 1941-42 to the destination concerned. It will thus be seen that the Export Trade Controllers can renew licences and grant fresh licences themselves if shippers do not apply for quantities in excess of their individual quotas.

APPENDIX 144

Export Control of Yarn.

Telegram dated 15*th January* 1942, *from Chamber to Commerce Department, Government of India.*

Committee Indian Merchants' Chamber learn that Government of India have issued regulations severely restricting export of cotton yarn to all countries excepting United Kingdom. Yarn position at present is very difficult and prices are coming down. The situation therefore will be more acute if at this stage there is a rigid control placed on export of cotton yarn. New markets have been opened out for export of yarn and it would be extremely unfair to the merchants to have

now this control placed upon them as that will mean the loss of all the new markets. Countries like Palestine, Syria, Egypt, Turkey, etc. were old customers of India and the trade will be dislocated if yarn is now not allowed to be exported to them. Committee urgently request that control of export of yarn be relaxed and in any case exporters must at least be allowed to ship contracted quantities in respect of prior orders.

APPENDIX 145.

Preference in Respect of Exports of Yarn and Piece Goods.

Letter No. 1136, *dated* 18*th April* 1942, *from Chamber to Commerce Department, Government of India.*

On 25th March 1942, the Committee of this Chamber addressed a telegram to the Hon'ble Sir A. Ramaswami Mudaliar, Commerce Member, Government of India, representing that complaints had been received that on instructions received from the Ministry of Shipping the shipping companies had stopped loading oilseeds and oil for Middle East on private account excepting for the United Kingdom Commercial Corporation ; to which my Committee have received no reply yet.

Since then we have received further complaints from our members that the said Corporation have been granted special privileges even with regard to exports of Indian cotton yarn. It appears that about two years back the British Government entered into a special trade agreement with the Turkish Government and some financial arrangements were made and long credits were granted to Turkey. When these arrangements were made, it was stated in the papers that the other parts of the British Empire need not negotiate any separate agreements, because the British Government would look to the interests of all the units of the British Commonwealth. It was at that time that the United Kingdom Commercial Corporation was started presumably to facilitate the financing of shipments to and from Turkey. This Corporation has now evidently established itself in Bombay and is competing with the exporters.

From 1st January 1942, the Government of India have put restrictions on the export of cotton yarn to foreign markets with the object of helping the Indian handloom industry. After protests from this Chamber as well as from the Bombay Yarn Exchange, Government have been granting licenses for small quantities against contracts of 1941 which worked out to about 20 per cent of the actual sales. The licenses however are granted in such a manner that often the exporters have to miss the steamer, as when the steamer is available the license is not there, and when the license is available the steamer is not there. Recently there were some shipments of cotton yarn and it was found that the shipments were on behalf of the U. K. Commercial Corporation, which were treated as Government cargo and had priority in all respect. The restrictions thus put upon the exports of cotton yarn operate as a matter of fact towards helping the U. K. Commercial Corporation whose business has been made a sort of a monopoly business.

Under these circumstances, my Committee beg to again resquest the Government of India to be pleased to make enquiries into all these complaints and to remove the monopoly of handling exports of oilseeds, oil and cotton yarn from the said Corporation and leave the exports to be dealt with by Indian exporters ; as if this is not done, it is apprehended that Indian exporters will be severely hit and will have all their business practically transferred to this new Corporation.

Telegram dated 15th April 1942, from Chamber to Commerce Department, Government of India.

Committee Indian Merchants' Chamber gravely perturbed at the orders putting restrictions on exports of Indian cotton piecegoods and yarn from first April 1942. Committee support representation of Bombay Millowners' Association in this connection and consider that limitation of exports of annual average sendings in the period 1936-39 would cripple trade commerce and industries considerably. Committee have also received several complaints from their members against restrictions recently announced. Export markets were lost to Indian industry on account of the war and local industry

trade and commerce were just gaining ground for finding out markets when such restrictive orders would seriously hamper any progress. Committee are informed that shipping available in the beginning of next week and so request that orders cancelling the notification or at least its modification so far as retrospective effect concerned be issued immediately.

Letter No. 65-C.W.(14)42|*III, dated 9th May* 1942, *from Commerce Department, Government of India to Chamber.*

I am directed to invite a reference to your telegram dated the 15th April 1942, on the above subject.

2. Ever since the promulgation of the freezing order against Japan in July 1941, the Government of India have had under consideration the situation arising from a complete cessation of imports of Japanese piece-goods into India. With the imports from the United Kingdom also showing a downward trend, it was apparent that the entire quantity required for consumption within the country would have to be provided by Indian mills, in addition to the large requirements for war purposes. The Government of India had also to take into account the fact that a number of allied and friendly countries which were previously supplied by Japan and the United Kingdom were becoming more and more dependent on India for their requirements. The quantities exported to these countries have in fact shown a very large increase in the course of the last few months. Judging by the volume of applications now being received by Export Trade Controllers, it is apprehended that exports if left uncontrolled, may increase to such an extent as to create a serious shortage in the quantity available for internal consumption.

3. In view of the position indicated in the preceding paragraph the Government of India have come to the conclusion that some kind of regulation is necessary in order to safeguard the supplies of piece-goods required for internal consumption and also to ensure that the available surplus is distributed equitably among the export markets dependent on India. It was for this purpose that a quota scheme was put into operation from the 1st April 1942.

4. The Government of India realize, however, that owing to certain factors the internal demand for piece-goods has of late shown some decline. They have, therefore, on further consideration decided to license for export all quantities covered by firm contracts entered into before the 1st April 1942, as and when freight space is obtained for such goods. It is the intention that exports during the remainder of the current quarter ending the 30th June 1942, should as far as possible be limited to such consignments.

5. With effect from the 1st July 1942, the Government of India propose to regulate the exports of cotton piece-goods on the basis of a generous quota scheme which will aim at maintaining exports at the maximum possible level consistent with the safeguarding of supplies required for consumption within the country. The Government of India would be glad if, in order to assist in the operation of this scheme, members of your association who are exporters could be advised that in respect of exports to be made after the 30th June, they should apply to the Export Trade Controller, Bombay, for licences as soon as they have entered into contracts, subject to freight and licence, and before they enter into commitments within India against such contracts. This change in procedure is intended to make things easier for shippers by putting them in a position to obtain licenses before undertaking the manufacture or purchase of goods for export, and it is hoped that the fullest advantage will be taken of the revised procedure.

APPENDIX 146

Import Control on Dyes*

Letter No. I.T.C. (32) *Dyes*|41, *dated 8th January* 1942, *from Chief Controller of Imports to Chamber.*

With reference to your letters No. 2527, dated the 11th October 1941, and No. 3135, dated the 9th December 1941, both addressed to the Secretary to the Government of India, Department of Commerce, New Delhi, I have the honour to state that it is regretted that Messrs. Bombay Union Dyeing

* For previous correspondence see Report, 1941, p. 485.

Mills cannot be included in the list of Registered Importers of dyestuffs nor can a special quota be granted to them.

2. It is also regretted that your suggestion that additional quotas should be granted to Registered Importers on the basis of their imports made in 1940 or prior to that year from Continental countries like Italy, Holland and France cannot be accepted.

3. As regards your suggestion that additional quotas should be granted to Registered Importers for the import of dyes from the United States of America and Switzerland to the extent of their previous imports of dyes from Japan, I am to add that the matter is under consideration.

APPENDIX 147.

Import Licences for Wines and Spirits

Letter No. 3808, dated 20th November 1942, from Chamber to Chief Controller of Imports, New Delhi.

The attention of my Committee has been drawn by Messrs. Nowrojee Ardaseer & Sons, a member-firm of this Chamber, to the difficulties experienced by them in the matter of the present procedure for the grant of import licences and the period of the duration thereof. It would appear that they were granted licence for the months of October, November and December 1942, for importing shipments to the value of not more than £500 every month. Accordingly, they entered into arrangements with Messrs. Spencer & Co. Ltd., London, for the shipment of the quantities covered by the licences for those particular periods. They had also made the necessary financial arrangements by opening Confirmed Letter of Credit in favour of the shippers. Due to the existing difficulties, however, in regard to the availability of shipping space, Messrs. Spencer & Co. have informed the importers that they would not be in a position to arrange for any shipment in 1942. Thus, for reasons beyond their control, Messrs. Nowrojee Ardaseer & Sons were not able to avail themselves of the quantities sanctioned under the licences already issued to them.

Consequently, they approached the Import Trade Controller with a request that the period of the licences should be extended and that they should be allowed to import the said quantities in the ensuing year. This request has not been agreed to on the ground that under the existing orders, such extension was not permissible.

You will appreciate the difficulties which the importers will be put to if they are not given the necessary extension under the above circumstances. On the strength of the licences they had secured, they have already made the financial and other arrangements. Over and above the dislocation to their business, they are likely to suffer if the licences are not made valid for importation during the next year.

My Committee, therefore, suggest that on such occasions when goods covered by licences already granted could not be imported due to reasons inherent in the present difficult situation, an extension should automatically be given and the importers concerned should be enabled to import the quantities at a subsequent date. It is hoped that Government will see the reasonableness of the suggestion and make arrangements accordingly.

Letter No. I.T.C.F.6957|42, dated 28th December 1942, *from Chief Controller of Imports to Chamber.*

With reference to your letter No. 3808, dated the 20th November, 1942, I have the honour to refer to the recent Government Press Communique in which it was announced that all outstanding import licences issued for shipment from the United Kingdom, North America and Australia in July-December 1942, stand automatically revalidated to cover shipment during January-June 1943, provided shipment has not been effected before the 1st January 1943, and that no formal revalidation of individual licences by the Licensing Authorities is required. This of course will not apply to what are known as pre-payment licences which are granted only to cover periods for which letters of credit have been opened.

APPENDIX 148

Export of Umbrellas

Letter No. 2857, dated 1st August 1942, from Chamber to Commerce Department, Government of India.

Messrs. Ebrahim & Currim & Sons, a member firm of this Chamber, who are the largest manufacturers of umbrellas in the country, have drawn the attention of my Committee to the refusal by the Director General of Munitions Production, Supply Department, to grant them the necessary licence for export of umbrellas to South and East Africa. My Committee appreciate the anxiety of Government to reserve the existing stocks of umbrellas available in the country for internal use ; at the same time in dealing with this matter, there are certain special factors which require to be considered and in the light of which, it is requested that Government should review the case for the grant of the necessary licence.

The firm in question has been supplying umbrellas to Africa regularly for a number of years and as such, they have established trade connections with that country. They are anxious to maintain this connection and market. Moreover, due to developments connected with the war, their African constituents are finding it difficult to get umbrellas from any other source. The African market requires cheaper quality of umbrellas with bamboo handles particularly for use by labourers and if supplies from India are not allowed the poorer classes of people in that country will be put to great hardship.

The firm in question has also assured my Committee that for the manufacture of umbrellas required for the African market bamboo handles and cloth to be used will be Indian made and the iron spokes and other metal accessories necessary will be used from the existing stock. The export, therefore, of a limited number of umbrellas by them will not involve the importation into this country of any of those particular parts.

The company has also informed my Committee that they do not wish to export any large quantities. In fact, they

will require export permission only for a comparatively small number which is not likely to affect the supply position here adversely.

My Committee, therefore, request that Government will be pleased to reconsider this matter and to grant them the necessary export permission for quantities well within their exports in the previous year, so as to enable them to maintain their existing African market.

Letter No. 107-C.W.|42, *dated 28th August* 1942, *from Commerce Department, Government of India to Chamber.*

"With reference to your letter No. 2857, dated the 1st August 1942, I am directed to say that Messrs. Ebrahim Currim & Sons may be asked to furnish this Department with full particulars relating to their stocks of umbrella fittings, including iron spokes and metal accessories, together with (i) an estimate of the number of umbrellas that could be manufactured therefrom and (ii). the number of umbrellas which they desire to export to each destination."

APPENDIX 149

Import of Umbrella Cloth and Ribs.

Letter No. 3263, *dated 19th September* 1942, *from Chamber to Commerce Department, Government of India.*

I am directed by my Committee to address you on the question of the importation of umbrella cloth and ribs used in the manufacture of umbrellas from U.K.

Umbrella Cloth: Messrs. Ebrahim Currim & Sons, one of the leading manufacturers of umbrellas in India have represented to my Committee that on account of the almost complete stoppage of the import of umbrella cloth from the U. K., their industry has already experienced great hardship and if the present position is allowed to be continued, they will be faced with a situation which may affect large number of consumers. As represented, in the pre-war period, on an average, this firm was importing 600 to 700 cases of umbrella cloth which approximated to about 6,00,000 yards of cloth. After the entry of Japan into the war, they had mainly to

depend for their requirements on U. K. They complain that since the last year the supplies from England were greatly reduced.

This year the imports of the same have been brought almost to a standstill and information received by them from their suppliers in the U. K. indicates that the Economic and Overseas Department of the India Office, London, will consider the question of giving them priority for the export of umbrella cloth from U. K. provided Messrs. Ebrahim Currim & Sons are able to secure an import assistance recommendation from the Supply Department of the Government of India.

Besides this difficulty, the importers point out that for the basis of securing import licence in India made necessary under the rules, particular years are taken into consideration when the import of such cloth was very small. While taking such a basis only 50% of the quantity is allowed to be imported. The importer further suffers a disadvantage by the import quota being given in rupees instead of in yards which is considered unjust as thereby the increases in prices occurring in the basic period would not be taken into consideration. It may be added in justification that the firm is willing to use indigenous manufactured cloth but the same is not found suitable for the purpose. Under the circumstances, my Committee request that Government will be pleased to consider their case favourably and to issue the necessary import assistance recommendation for the importation of umbrella cloth from U.K.

Ribs: The firm has represented that a portion of their orders for ribs placed in England last year has yet remained to be fulfilled. Ribs are considered very essential in the manufacture of umbrellas and if assistance is not given to the firm to import the necessary quantities of ribs not only the industry, but the public also would have to undergo great hardship. The Committee are informed that the firm imported about 500 cases of ribs in the pre-war period. As all other sources of securing ribs have now been closed, only the U.K. could help by supplying the necessary quantities. It is, therefore, felt that any assistance given to Messrs.

Ebrahim Currim & Sons for the importation of ribs from U.K. would be indirectly a help to the consuming public in the use of an article of daily necessity. The Committee urge that Government will give their earnest consideration to the request of Messrs. Ebrahim Currim & Sons, for being given the necessary import assistance recommendation from the Government of India with regard to the importation of umbrella cloth and ribs.

Letter No. 11(43)*ITC*|42, *dated* 30*th October* 1942, *from Commerce Department, Government of India to Chamber.*

With reference to your letter No. 3263, dated the 19th September 1942, on the above subject, I am directed to say that while it is *time* that the Import Trade Controllers in India are authorised to issue special licences for the importation of umbrella cloth and ribs from the United Kingdom upto certain limited quantities, yet there is no bar to the submission of applications for the licensing of consignments which cannot be covered by the *general* authorization given to those officers. Such applications should specify the exceptional ground on which concession is claimed (with particular reference to the essentiality of the goods for direct war purposes or for civil needs under wartime conditions) and a statement of the measures which it is proposed to adopt to secure that the goods are in fact devoted to the purposes specified in the application. Particulars of all licences, if issued, are communicated to the appropriate authorities in the United Kingdom who arrange such priorities of manufacture and shipment as are possible in that country.

2. I am to add that Messrs. Ebrahim Currim and Sons, should be informed accordingly.

APPENDIX 150

Export Licence for Shipments to Saudi Arabia.

Letter No. 3327, *dated* 24*th September* 1942, *from Chamber to Commerce Department, Government of India.*

My Committee are given to understand that allotments of monthly quota of rice and flour for export to Saudi Arabia

are being made by the Authorities, whereunder, 1,200 tons from Calcutta, 200 tons from Bombay and 100 tons from Karachi of the said articles have been permitted for export to Saudi Arabia and that such allotments are divided equally among the four local shippers only.

In this connection, Messrs. Abdulla Fazil Arab of Bombay have represented to my Committee that they had approached your Department with a request to be granted a share of the above quota for export of rice and flour to Saudi Arabia, which was refused. If the information regarding permits being given to local shippers at Calcutta, Bombay and Karachi for export of rice and flour to Saudi Arabia is correct, my Committee would like to know why the request of Messrs. Abdulla Fazil Arab for being given a share of the quota fixed for export to Saudi Arabia should not have been considered by Government. My Committee should, at the same time, like to make it clear that they are opposed to the export of foodstuffs under the present circumstances. If, however, some firms are allowed to export, they should not naturally like any discriminatory treatment, and so in that case they would recommend that Messrs. Abdulla Fazil Arab should also be given a quota.

Letter No. 107-C.W.B.(14-II)|42, dated 9th October 1942, from Commerce Department, Government of India to Chamber.

With reference to your letter No. 3327, dated the 24th September 1942, on the above subject, I am directed to say that in the allocation of quotas for rice and other commodities, it is the policy of the Government of India that established shippers in a particular trade and to a particular destination should be given preference in the grant of licences. Mr. Abdulla Fazil Arab does not on his admission, fall in this category, and the Government of India regret that they see no reason to vary the decision of the Export Trade Controllers.

APPENDIX 151

Prices of Indian Wool Meant for Export

Letter No. 2590, dated 6th July 1942, from Chamber to Commerce Department, Government of India.

My Committee have received a letter from Messrs. Doongursee & Sons, Bombay, and their attention has also been drawn to a communication addressed to Government by the Buyers & Shippers Chamber, Karachi, Messrs. Doongursee & Sons are directly connected with export trade in Indian wool. They draw attention to the recent increase granted for the purchase of Australian, New Zealand and South African wool by the British Government and point out that after the control price for Indian wool was fixed, charges on account of insurance, freight, commission, pressing, etc. have gone up. Reference is also made to the difficulty experienced in disposing of white and yellow wools due to absence of markets. They, therefore, suggest that Government will be pleased to increase the prices to be paid for Indian wool in line with higher rates recently sanctioned for Australian and New Zealand wools and that Government should arrange to purchase white and yellow wools just as they are purchasing grey wool. These suggestions have got the support of the Buyers & Shippers Chamber, Karachi, who have directly addressed Government in the matter. A copy of the letter from Messrs. Doongursee & Sons is being forwarded herewith for information of Government.

My Committee hope that Government will be pleased to accept the suggestions of Messrs. Doongursee & Sons and the Buyers & Shippers Chamber and fix the prices for Indian wools accordingly.

Letter No. 75-C.W.(9)|42, dated 24th July 1942, from Commerce Department to Government of India.

With reference to your letter No. 2590, dated the 6th July 1942, on the above subject, I am directed to forward herewith a copy of this Department letter No. 75-C.W. (9)|42, dated the 16th July 1942, addressed to the Buyers and Shippers Chamber, Karachi.

Copy of a letter from the Under Secretary to the Govt. of India, Department of Commerce, New Delhi, No. 75-C. W. (9)|42, dated 16th July 1942, to the Secretary, The Buyers and Shippers Chamber, Bellasis Street, Karachi.

Subject :—**Indian wool trade.**

I am directed to invite a reference to your letter No. GC|13|83 dated the 6th June 1942, on the above subject. The points raised therein have been carefully considered by the Government of India and I am to communicate the following observations with reference to the specific suggestions made in the last paragraph of your letter under reply ;—

(i) It is by no means certain that the requirements of His Majesty's Government would exceed in volume the shipments now being made to Liverpool. There are considerable difficulties in the way of introduction of a new system of purchase of His Majesty's Government's requirements in India, and even so, any in the method of purchase will not solve the problem of disposal of the surplus wool in the Indian market.

(ii) The Government of India understand that the Wool Control are actively considering the question of revision of prices for Indian wools, and that an announcement of this point may be expected at an early date.

(iii) The proposal that specifications of cloth required for war purposes should be changed with a view to increased utilisation of Indian wools, is being constantly kept in view by the Supply Department. It is doubtful, however, whether the specifications of Army materials could be so reduced as to permit of the material being made from any except the very finest Indian plains wools. In any case, the bulk of the demand is for combing wool, which is not produced in quantity in India.

APPENDIX 152

Bank Holidays Under the Negotiable Instruments Act.

Letter No. 1077, *dated* 11*th April* 1942, *from Chamber to Political and Services Department, Government of India.*

The Government of Bombay, as usual, declared Bank Holidays for the Bombay City and Province for the year 1942, on 13th October 1941. After that by a notification of the 10th February 1942, No. they revised the list, and certain holidays which were originally declared were in the second list deleted. The Press-note issued by the Director of Information announced that this decision was taken in the interests of production of war supplies which, it was emphasised, was very important at the time. My Committee have no objection to cancelling any holidays with the object of speeding up war efforts. What they regret is that they were not consulted with regard to the reshuffling of the holidays, as even if any holidays were to be cancelled they could have advised Government as to which holidays should be cancelled and which not, from the point of view of public sentiment and feeling, as also commercial usage. Years back Government used to have a Committee for the purpose of settling Bank Holidays and later on when Bank Holidays came to be fixed more or less on a stable basis they consulted commercial opinion when there was a doubt as to a particular holiday falling on a particular date. Only three years back, the then Government of Bombay appointed a Committee to go into the whole question who submitted a unanimous report opposing any change in the usual prescribed holidays. My Committee have asked me to bring to the notice of Govment that on the last Ramnavami day, a holiday which was cancelled under the revised list, all the principal Indian markets were closed.

Under these circumstances, my Committee wish that they had been consulted with regard to the changes recently made, and beg to request the Government of Bombay to be pleased to consult commercial opinion whenever any changes have to be made in the Bank Holidays.

Letter No. 5631|34-B, dated 21st April 1942, from Political and Services Department, Government of Bombay to Chamber.

With reference to your letter No. 1077, dated the 11th April 1942, on the above subject, I am directed to state that as already announced in a Press Note in February last, Government decided to curtail the number of holidays in the interests of production of war supplies which is considered to be very important at the present moment. It is regretted that owing to the shortness of time, it was not possible to consult the various associations and representative bodies. The request of your Chamber in this connection has, however, been noted.

Letter No. 3508, dated 15th October 1942, from Chamber to Political and Services Department, Government of India.

I am directed to send to you herewith a copy* of a letter which my Committee have addressed to the Oriental Translator to Government on the above subject. Under the circumstances mentioned therein, it is hoped that Government will be pleased to sanction all the three holidays which my Committee have suggested. The Oriental Translator can only suggest the dates ; but the privilege of fixing the number of holidays rests with Government. Divali falls on the 28th October 1943 ; but, as it happens, there are two New Year days, and in view of the peculiar circumstances, which have arisen, it is advisable to declare both the days as holidays. The Divali also will have to be declared as a holiday ; and so Government will be pleased to declare all the three holidays.

In the beginning of this year, Government had retrenched a good number of Bank holidays, because of war reasons. My Committee did not send any protest at the time, because of the reasons given by Government for such a retrenchment. They are now suggesting three holidays because of the peculiar situation, which is not likely to arise in immediate future again. At the same time, my Committee may be allowed to draw the attention of Government to the fact that *Kali Chaudas* is a Hindu holiday, as also a Commercial holiday since number of years past, and they did not protest

* Not printed.

against its omission as a holiday this time only because of the war situation. They now beg to urge emphatically that after the next year, i.e. 1943, *Kali Chaudas* should again be included in the Divali holidays. It is hoped that Government will be pleased to accept both the above suggestions, viz. to fix three holidays for Divali in 1943, and to include *Kali Chaudas* in the Divali holidays after that.

APPENDIX 153

Licences for Importation of Refined Sulphur.

Letter No. 2611, *dated 9th July* 1942, *from Chamber to Chief Import Controller, New Delhi.*

The attention of the Committee of this Chamber has been drawn to your refusal to grant licence to a firm called Messrs. Gopalji Gangji & Co., Bombay, for the import of refined sulphur from the U.S.A. This firm is in the sulphur trade for over 30 years and used to get its requirements from Italy, Japan, Dutch East Indies and to some extent from the U.S.A. They say that refined sulphur is not produced in any Empire countries; nor is it available in India. The chief use of sulphur is for supplying chiefly to sugar factories, match factories, Government P.W.D., as well as small chemical works producing sulphuric acid and other commodities. One of the reasons, it appears, for your refusal to grant a licence to this firm for import of sulphur, was that deposit of crude sulphur was found in Baluchistan and that the consumers could get their supplies of same at Rs. 90|- per ton f.o.r. on application to the Director General of Supplies (Chemicals) Directorate. What the firm, however, observes is that it would take time to refine this crude sulphur and that in the meanwhile they require sulphur very badly for supplying their customers. My Committee, therefore, under the circumstances, suggest that till it is found possible to refine the Baluchistan crude sulphur, licence may be granted for the import of refined sulphur from the U.S.A. as otherwise it will be difficult for industrial factories like sugar factories and others to get their supplies.

My Committee are informed that several firms in Bombay have been given licence recently upto 300 tons of refined sulphur from U.S.A. and that these supplies were meant for trade and that their quotas were not confined exclusively for war or military purpose. The firm in question wants licence for 100 tons.

Letter No. I.T.C.|C-(84-Sul|42, dated 30th July 1942, from Chief Import Controller to Chamber.

With reference to your letter No. 2611, dated the 9th July, 1942, I have the honour to say that in accordance with an estimate made of Indian requirements licences for the import of Sulphur have already been issued to various importers and it is, therefore, regretted that a licence for the import of further quantities of sulphur cannot be granted to Messrs. Gopalji Gangji & Co., during the present shipment period of July-December 1942. The suitability of Baluchistan Sulphur for various purposes is under consideration and you will appreciate that unless it is finally established that this sulphur cannot be used in any particular cases it may not be possible to give further import assistance. It is most improbable in view of the tight shipping position between the United States of America and India that shipping space will be available to carry sulphur except for essential requirements. The inconvenience that may be caused to any particular factories or works is indeed very much regretted, but I may suggest that it should be possible for Messrs. Gopalji Gangji & Company's customers to locate stocks of American sulphur in India and to obtain sufficient supplies to enable them to continue working; they may also consider using Baluchistan sulphur for which orders have already been placed by certain factories for refining purposes.

2. I may add that if Messrs. Gopalji Gangji & Co., apply afresh some time in November for their requirements in the shipping period, January-June 1943, and supply full particulars and justification for import, their application will receive due consideration.

APPENDIX 154

Political Situation in the Country

Telegram dated 14th August 1942, from Chamber to H. E. the Viceroy.

"Committee, Indian Merchants' Chamber, have been following the present developments in the political situation with the deepest regret and sorrow. The President of the Chamber in his recent speech at the Second Quarterly General Meeting appealed to both Govt. and leaders of the political parties to come to some workable arrangement failing which, he said, there would be a disaster. This is unfortunately what has happened. Committee beg to point out that the Resolution, as it was passed by the Congress, while it provided for mass civil disobedience, appealed to Britain and the United Nations and Mahatma Gandhi also appealed to His Excellency the Viceroy. Committee beg to emphasize that the appeal made by Mahatma Gandhi to His Excellency could well have been responded to. Gandhiji himself assured that his contemplated letter to His Excellency was not an ultimatum but an earnest pleading for avoiding a conflict. If Government had waited for this letter and not precipitated the crisis by wholesale arrests, an honourable course was open for both parties. Any conflict is at present ruinous to the interests of the country and trade, commerce and industries are dislocated. Committee believe that Gandhiji is right when he says that the main issue is to make the utmost efforts to win the war and that the Indian people have the right to defend their own country in face of the aggression at their doors. This can only be done by them if they feel that they have the real power to do so. Committee, therefore, urge that negotiations should begin at the point where they were left off by Sir Stafford Cripps, and that Gandhiji should be allowed facilities for communicating with His Excellency, so that every possible avenue may be seized even now to put a stop to the conflict so that the bitterness may end and harmonious relations may prevail. Committee are making this earnest appeal to His Excellency in the interests of both Britain and India as, if the conflict is allowed to develop any further there may come about a bitterness, the effects of which, it

will be impossible to eradicate for long and there will also be a severe set-back to the war efforts very essential for fighting the common enemy."

Letter No. 2970, dated 14th August 1942, from Chamber to Home Department, Government of Bombay.

The attention of the Committee of this Chamber has been drawn to certain steps which are being taken by the authorities in connection with the city disturbances going on at present. They consider it their duty to draw the attention of Government to this as they feel sure that the steps which Government may want to take to meet the disturbances are not meant to be of a vindictive nature, but are meant to prevent the mischief. Allegations are definitely made in the public press and outside that persons living in nearby houses, pedestrians and even people going about in cars are asked by the troops and the police to cleanse the streets of all the litter which may be lying upon it and this is being enforced at the point of the bayonet. Respectable citizens including merchants, professional people and ladies are being forced to do this work. If people refuse, severe beating is given to them and they are arrested. Surely Government do not want to exacerbate the feelings of the people by meeting out such humiliating treatment to them. My Committee beg to request that Government will be pleased to issue instructions in case these allegations are founded on facts to put a stop to all such methods specially when it is said that quiet is being slowly restored to the city.

My Committee are also informed that mass arrests are being made from different chawls and houses and of pedestrians even though many of them may not be actually implicated at all in the disturbances. My Committee have received definite complaints from business people that many of the servants and many of the business people themselves have been arrested like this, and taken away in the Police lorries without any charges being preferred against them. Surely, all this does not help in the restoration of peace and order. My Committee and the business community want, as much as Government, restoration of peace and order, but such a restoration cannot be effected if the reprisals of the authorities take the forms herein mentioned. The authorities may have to take

certain action to meet the emergency, but such an action should not take the form of forcibly asking the citizens to cleanse the streets and of effecting mass arrests.

My Committee hope that Government will be pleased to enquire into these complaints as soon as possible and to set the people's mind at rest by issuing a press note to the effect that there will be no unnecessary harassment and no needless reprisals to the public.

Telegram dated 19th August 1942, from Chamber to H. E. the Viceroy.

Committee Indian Merchants' Chamber wish respectfully to draw the attention of His Excellency the Viceroy to the great feeling of anxiety among the public regarding the condition of health of the national leaders recently arrested and kept in detention. Committee request Government to be pleased to issue a statement furnishing information about their health condition. It is earnestly hoped that Government will also give them all the facilities due to their position and status in the country.

Telegram dated 20th August 1942, from Chamber to H. E. the Viceroy.

"Committee Indian Merchants' Chamber have considered the ordinance regarding additional powers to the military recently issued by the Government of India which appeared in the Press on sixteenth August. They feel that the present situation in the country has not assumed such a character that such drastic provisions are necessary to be enacted. Retention of such an ordinance is likely to cause great suffering to many innocent persons."

Letter No. 2991, dated 19th August 1942, from Chamber to Home Department, Government of India.

I am directed by the Committee of this Chamber to request the Government of Bombay to be pleased to let the public know about the present condition of the health of Mahatma Gandhi. His health is causing naturally anxiety looking to his age, the recent blow in the form of the death

of Mr. Mahadev Desai and the strain and stress of the present times. My Committee will, therefore, be much obliged if a statement can be issued every week by Government about his physical condition, after being examined by his doctors and the Government doctors. My Committee realise that Government appreciate the importance of his health as much as the general public. They would, however, like to stress that, looking to his position, his status and his saintly character, he should be provided with, what to a man of his character will appear to be, the necessities of life like newspapers, books, etc. They trust and hope that this is being done, and they are enquiring only with a view to get an assurance which will satisfy the public.

Letter No. S.D.V.|655, dated 5th September 1942, from Home Department, Government of Bombay to Chamber.

In reply to your letter of August 19th and reminder of August 29th, 1942, I am directed to refer you to the Government communique, issued on August 30th and published in the Press on the following day.

No further information on the subject can be given.

Letter No. 3686, dated 6th November 1942, from Chamber to Home Department, Government of Bombay.

The Government of Bombay were pleased to inform the Committee of this Chamber, sometime back, that Mahatma Gandhi was placed in a private house and was supplied with everything to secure his comforts and the kind of food he required, and the members of the Congress Committee had also been accommodated in suitable quarters and were supplied with all amenities of life. They also added that all these persons were permitted to correspond with members of their families on personal matters and were provided with newspapers.

My Committee now beg to suggest that all these gentlemen and others, who are detained under the Defence of India Act, may kindly be allowed to write letters even to persons who are not members of their families, and to receive also letters from them, provided that the letters they write

or receive relate purely to personal matters. Many of these detained gentlemen are men known all over the country, and their friendship and acquaintances is not limited to members of their families. Specially, persons like Mahatma Gandhi have naturally countrywide acquaintances, and it will be appreciated if he and the other detenus are allowed to write letters to and receive letters from people, who may not be members of their families ; as such letters will relate to purely personal matters, such a correspondence need not be considered objectionable.

My Committee hope and trust that Government will be pleased to accept this suggestion of theirs.

APPENDIX 155

Joint Meeting of the Commercial Associations re. Political Situation in the Country, dated 17th August 1942

Resolutions passed at the joint meeting of the representatives of the Indian Merchants' Chamber and allied Commercial Associations in the City (mentioned overleaf), held on Monday, 17th August 1942.

"A. This meeting of the representatives of the Indian Merchants' Chamber and allied Commercial Associations expresses its deep and profound regret at certain repressive steps being taken by Government to quell the present disturbances which are going on in the City, these repressive measures taking the form of the Police and the Military—

(a) compelling the householders and merchants, who were at their place of business, and also passers-by, to clean the streets of obstacles and debris littered there ;

and

(b) effecting arrests from residential houses, shops and pedhis even of business people, who were not implicated in the disturbances and who were entirely innocent.

B. This meeting regrets that several businessmen and their employees, while engaged in their usual vocations, have been beaten and arrested, though they have not been implicated

in the disturbances and have not taken any part in the agitation.

C. This meeting deeply regrets the disturbances, which have started in the City and which have led to a good deal of loss of property and life and also have led to the dislocation of the normal course of business, avocation and work in the City.

It calls upon the public to desist from violence of this sort, which gives a set-back to the national struggle for independence and is opposed to Mahatma Gandhi's creed of non-violence.

D. With a view to ensure real peace in the country and to secure the efficient and continuous working of trade, commerce and industries, so necessary at this critical juncture, this meeting most earnestly appeals to His Excellency the Viceroy and the Members of his Executive Council to release forthwith Mahatma Gandhi and other leaders and carry on with them negotiations for solving the present political deadlock by making India free in its real sense.

E. This meeting appeals to His Excellency the Governor of Bombay to be pleased to issue instructions, at once, to the Police and the Military not to resort to any punitive measures like the ones referred to above, so that there may be no further irritation to the public and with a view to restore the normal life of the City."

NAMES OF ASSOCIATIONS REPRESENTED AT THE MEETING

1. The Indian Merchants' Chamber.
2. The East India Cotton Association, Ltd.
3. The Marwari Chamber of Commerce.
4. The Maharashtra Chamber of Commerce.
5. The Native Share & Stock Brokers' Association.
6. The Bombay Shroff Association.
7. The Bombay Bullion Exchange.
8. The Bombay Piecegoods Native Merchants' Association.
9. The Bombay Yarn Exchange.
10. The Metal Exchange Association.
11. The Hindustani Native Merchants' Association.
12. Association of Indian Importers of Dyestuffs.

13. The Seeds Traders Association.
14. The Bombay Oil Merchants' Association.
15. The Silk Merchants' Association.
16. The Bombay Yarn & Silk Merchants' Association.
17. The Country, Fancy & Grey Piecegoods Merchants' Association.
18. The Bombay Rice Merchants' Association.
19. The Coloured Piecegoods Merchants' Association.
20. The Silk & Art Silk Mills' Association.
21. The Diamond Merchants' Association.
22. The Shri Mahajan Association.
23. The Sugar Merchants' Association.
24. The Malabar Kariana Merchants' Association.
25. The Pepper & Ginger Merchants' Association.
26. The Bombay Grain Merchants' Association.
27. The Bombay Provision Merchants' Association.
28. The Bombay Grain Dealers' Association.
29. The Chamber of Income-tax Consultants.
30. The Indian National Steamship Owners' Association.
31. The Cotton Merchants & Muccadams Association.
32. The Country, Fancy Piecegoods Merchants' Association.
33. The Association of Indian Industries.
34. The Association of Electrical Undertakings.

APPENDIX 156

Special General Meeting of the Chamber, dated 30th September 1942.

A Special General Meeting of the Members of the Chamber will be held on Wednesday, the 30th September 1942, at 4-0 p.m. (S.T.), in the Narrondass Manordass Hall & Library, Second Floor, Lalji Naranji Memorial Indian Merchants' Chamber Building, when the following resolutions were passed.

Resolutions

1. This special general meeting of the Indian Merchants' Chamber, Bombay, is seriously concerned at the growing unrest in the country and views with grave anxiety the situation that has developed during the last few weeks since the deplorable action of the Government of India in arresting Mahatma Gandhi and other Congress leaders. The policy of

stern repression and the adoption of certain measures made possible under Ordinances, have only served to aggravate the feelings of bitterness and resentment which were growing in the country. While this meeting cannot condone but unreservedly condemns the acts of violence and sabotage, it cannot help expressing its feeling of deep distress at the action of the Government which, instead of responding, both in the interests of India as well as those of Great Britain, to the universal demand in the country for the immediate transfer of power from British to Indian hands, and instead of mobilising, as Mahatma Gandhi had unequivocally declared, all available resources of a free India against the enemy, who is at the gate, has created by their policy a grave crisis in the country unprecedented for decades past.

2. This meeting strongly resents both the tone and tenor of the most provocative speech of the British Prime Minister in the House of Commons, on the 10th September. It is singularly unfortunate that the Prime Minister looked upon the grave crisis in India merely as a problem for the police to deal with, and not as a supreme issue of world-wide importance for a statesman to solve, for making India feel that it was really a free nation, and for enabling Indians to defend India as free citizens just as Englishmen are defending England. His speech has, therefore, only served to aggravate the present crisis and has destroyed the faith that was still left in the country in the sincerity of the British promises that they were prepared to give real power to India.

3. This meeting expected that even the present Indian Members of the Viceroy's Executive Council would rise equal to the occasion at this critical juncture in the history of India and would press upon the British Government the obvious fact that there would or could be no solution of the present impasse unless Britain decided forthwith to transfer real and effective power from British to Indian hands and establish as a first step a real National Government at the centre. If such a National Government is not established forthwith, it will strengthen the conviction of the Indians that Britain is only anxious to maintain its imperialistic hold on India.

4. This meeting consisting of businessmen is really anxious for peace, stability and harmony in the country. It, however, is convinced that without political freedom and National Government such happy conditions cannot be restored. Whatever the Prime Minister may say or imply, the business community affirms that it has always worked for national freedom and will continue to do so. Not only is the business community, but every nationally-minded Indian also is anxious, like any political party in the country, to obtain freedom for India and will do his utmost to work for it. Transfer of power from British to Indian hands is, therefore, not only immediately necessary for the defence of this country, which is of great strategic importance, in the interests of India and the United Nations, but it is also quite essential for safeguarding India's interests in connection with various economic and industrial post-war problems of a far-reaching character which are being seriously considered even now in the midst of the war.

5. This meeting urges upon the Prime Minister to realise that a Nation wedded to the principle of independence alone can fight against the foreign menace and earnestly impresses upon him the fact that the supreme need of the hour is to prevent the growing feeling of bitterness and estrangement between England and India, which prevents the effective mobilisation of their combined resources against the common enemy, and to bring about immediate reconciliation between the two countries by transferring real and effective power from British to Indian hands.

6. This meeting presses, therefore, most earnestly on all concerned to bring about such a reconciliation by releasing forthwith Mahatma Gandhi and other national leaders and by opening negotiations with them and with leaders of other parties in the country, as will, with the active co-operation of all, evolve a satisfactory arrangement, both for the transfer of power from British to Indian hands and for the establishment of a real representative National Government at the centre. This is the supreme task of the hour, to enable a free, contented, self-respecting and united India to stand along with the United Nations for the preservation

and defence of this country and their common heritage against the attacks of their common enemies, and this meeting fervently hopes that all effective steps for that purpose will be taken both by people in this country and by the British Government before it is too late.

APPENDIX 157

Refusal of Permission to Sjt. C. Rajagopalachari to interview Mahatma Gandhi.

Telegram dated 16th November 1942, from Chamber to H. E. the Viceroy.

Committee Indian Merchants' Chamber deeply pained to find that His Excellency the Viceroy has refused permission to Sjt. Rajagopalachari to have an interview with Mahatma Gandhi. Sjt. Rajagopalachari has been busy trying to have a working agreement between the Congress and the Muslim League without which the country is threatened with a disaster. His Majesty's Government have repeatedly announced that they will welcome a settlement arrived at by Indians among themselves. Committee cannot understand how such a settlement is possible without interviews of men like Sjt. Rajagopalachari. The only conclusion which is left to be drawn by the people is that Government do not want a settlement. It will be a tragedy if Government want to detain Congress Leaders till the end of the war and if no settlement is desired by Government at present. His Majesty the King Emperor recently expressed a hope that speedy and successful conclusion of these (Indian) difficulties might be brought about through a wider measure of agreement amongst the Indian people themselves but this Royal hope cannot be fulfilled if the doors are closed against any negotiations. Under the circumstances Committee appeal to His Excellency to be pleased to withdraw the ban and make it possible for mediators to interview Mahatma Gandhi and others.

APPENDIX 158

Expansion of the Viceroy's Executive Council.

Press Note dated 4th July 1942.

"Mr. J. C. Setalvad, President, Indian Merchants' Chamber, Bombay, issued the following statement regarding the expansion of the Viceroy's Executive Council:

'The Committee of the Indian Merchants' Chamber have been pressing emphatically, since the war began, for a settlement of all the outstanding issues between Government and the people and for Government to take such steps as would satisfy the hopes and aspirations of the people by giving freedom to the country. The step, which His Excellency the Viceroy took, in this connection, in July 1941, by the expansion of the Executive Council did not prove at all satisfactory to this end. Since then there was the mission of Sir Stafford Cripps, and even that did not prove satisfactory, or rather made matters worse, by the very limited terms of reference given to him and the interpretation which was placed upon the British Government's offer by the Government of India. The failure of the Cripps mission was disastrous to the conduct of the war for India and it is, indeed, tragically pathetic that Government have not yet realised how unfortunate was this failure. The Committee have, since then, been entertaining hopes that a way would be found out of the impasse; but the recent announcement of the further expansion of the Viceroy's Executive Council has dashed all those hopes to the ground. Representatives of the leading political parties pressed before Sir Stafford Cripps the necessity of having representative public men, enjoying the confidence of the people, in the Executive Council, and entrusting them with fullest powers possible and Cabinet responsibility. Instead of proceeding on these lines, Government have appointed certain public men, who will not have, the Committee are afraid, any co-ordination as among themselves and also who do not belong to any major sections or parties. The Committee regret that Government have not become fully alive to the gravity of the situation in the country even at the present juncture. They would not have otherwise nominated Sir E. C. Benthal, a representative of

the European commercial community as Member-in-Charge of War Transport. It has, for years, been the insistent claim of the Indian commercial community and even of certain outstanding figures in the Legislature that the portfolio of Transport should invariably be assigned to a non-official Indian, enjoying the confidence of his countrymen. In fact, no less a person than the late Sir Ibrahim Rahimtoola once observed: "Give me the power to manipulate rates and freights; and I shall bring Swaraj in no time." Sir E. Benthal, again, represents a community, which has interests diametrically opposed to the interests of Indian trade, commerce and industries, and to entrust him with the portfolio of War Transport means that either Government are entirely indifferent to public opinion or deliberately careless about the interests of the country. The chief objective of Government, at such a juncture, should have been the expansion of the Viceroy's Executive Council on lines suggested by leaders of the main political parties to Sir Stafford Cripps, and thus to form a National Government at the Centre. The Council now formed cannot by any means be called 'National', and in certain respects may even be regarded as anti-national.

Even while Government have chosen to expand the Council on their own lines, they have refrained from giving the portfolios of Finance and Home to non-official Indians, as was once definitely declared to be their object. Government have controverted the whole spirit of all the negotiations which have gone on and of all the promises made by Sir Stafford Cripps and others by retaining these two most important portfolios in European civilian hands and having four non-Indians in a Council consisting of 15 Members, over which His Excellency the Viceroy presides. The Committee are afraid that it is a cruel joke to consider these new appointments as an expansion of the Viceroy's Executive Council on *national lines.* They hope and trust that this is not going to be the last word on this question, and that even now, in the interests of joint collaboration between Great Britain and India for a successful prosecution of the war, a National Government will be formed at the Centre on lines different from those which have been recently adopted.'"

APPENDIX 159

Advancing the Clocks by One Hour

Letter dated 23rd February 1942, from Mr. M. R. A. Baig to Chamber.

I have received innumerable complaints from businessmen and specially members of the staffs of offices about the difficulty they experience in going home at night due to the rigourous black-out rules. It must also be remembered that these rules are likely to be tightened and certainly not relaxed.

A partial solution is advancing time by one hour which would give us an extra hour of daylight in the evenings. I believe that the best body to examine this suggestion and to report on it is the Indian Merchants' Chamber. I request you, therefore, kindly to convene a conference of representatives of commercial bodies and to let me have your report and recommendations as early as possible.

Letter No. 661, dated 4th March 1942, from Chamber to Mr. M. R. A. Baig.

Your letter of the 23rd February was considered by my Committee at their last meeting. They realise the necessity for offices and establishments closing earlier so as to enable their staff, etc. to reach their homes in time. They are, however, not agreeable to the suggestion to advance the clock; in their opinion, the purpose in view could be achieved by offices fixing the closing hour at 5-30 p.m. during summer and at 5-0 p.m. during winter and the monsoon.

APPENDIX 160

Introduction of New Standard Time

Letter No. 3225, dated 15th September 1942, from Chamber to Home Department, Government of Bombay.

The Government of India addressed the Government of Bombay on the 6th August 1941 with regard to the question of advancing the clocks by one hour during the period of the

war. The Government of Bombay addressed the Committee of this Chamber on the 28th August 1941 asking for their views regarding the same. My Committee addressed a letter to the Government of Bombay on 6th September 1941, No. 2193, and observed therein that any change on the lines suggested in their communication would greatly inconvenience the commercial community and that no immediate emergency had arisen to necessitate such a change. They added that if, however, Government considered that such a change should be made and introduced such a change they believed that the commercial community would try to adapt itself to it. The change has now been introduced since the 1st instant, and their observations of the reactions on both the commercial and industrial community lead them to feel that the new time has not proved suitable to trade, commerce and industries. Bombay had already got the so-called standard time which was 39 minutes in advance of the local time, i.e. the natural time. The clocks are now, however, set in advance by one hour even of the old standard time, which means that the new standard time is 1 hour and 39 minutes in advance of the Bombay local time, i.e. the natural time. This has naturally, to a large extent, upset the daily programme of a large section of the population. The railways, the banks, the insurance companies, the High Court, the Government Departments, and even this Chamber, have all set their clocks in advance by one hour of the old standard time. The Government proposal has been accepted so far; but the difficulty is with regard to the adjustment of the household programme of thousands of individuals, both employers and employees, to the new time. The departure from the usual mode of life followed upto now as required by the new standard time is, indeed, very great. The Commercial Offices begin their work as early as about 10 a.m., and people have to go, say, from the suburbs, by trains which leave between 8-30 to 9 a.m. This means that, according to the old standard time, they have to leave their stations between 7-30 and 8 a.m. Government will appreciate that this necessitates getting up at a very early and unnatural hour. Government cannot be unaware of the mode of life of the people here. A large section of the population—we may say, a pre-

ponderating section of the population—takes two meals a day : one in the morning and one in the evening. The new time may suit those, who are accustomed to take an early light breakfast and then take lunch or tiffin in the forenoon; but it will not suit those who take their breakfast in the form of a full meal in the morning and a dinner or supper, again a full meal, in the evening, and go without any intervening meal excepting, perhaps, a cup of tea. The Government press-note also acknowledged that there were provinces which would find the new time inconvenient. They, however, believed that by an adjustment in the hours of work this inconvenience would be overcome and that when the people became accustomed to the new time no great difficulty would be experienced. My Committee feel, after the consideration of this question for a long time and actual experience of the new time during the last two weeks, that it is not possible to make such adjustments in the hours of work so as to eliminate any inconvenience arising from the new time. It is because of all these circumstances that my Committee beg now to approach Government with a request that they will be pleased to set back the clocks in Government Departments and in the High Court by one hour, or in the alternative to alter the hours of work to suit the new standard time.

Letter No. 3228, *dated* 15*th September* 1942, *from Chamber to* (1) *Local Board, Reserve Bank of India,* (2) *Governor, Reserve Bank of India,* (3) *Chairman, Bombay Bankers' Clearing House Association,* (4) *Chairman, Exchange Banks' Association,* (5) *Managers of some Indian Banks in Bombay.*

The Secretary,
Local Board, Reserve Bank of India (Bombay Area),
Bombay.

I am directed to send to you herewith copies of letters which the Committee of this Chamber have addressed to the Government of Bombay, Governor of the Reserve Bank of India, Chairman of the Exchange Banks' Association and the Chairman of the Bombay Bankers' Clearing House Association, with reference to the advancing of the clocks by one hour inaugurated since the 1st of this month, for being

placed before your Board of Directors. My Committee have tried in these communications to show how very difficult and inconvenient it is for trade, commerce and industries to adapt themselves to the new standard time. In their reply to the Government of Bombay last year, they observed that the commercial community would try to adapt themselves to the new time. Their experience, however, of the last two weeks and their consideration of the problem for a long time have convinced them that it will be difficult, if not impossible, to make such adjustments in the hours of working in the business community as will make it suitable for the new standard time to be introduced without any inconvenience or annoyance. My Committee are appealing to the Local Board of the Reserve Bank Bombay Area to be pleased to set the clocks by one hour, or, as an alternative to make suitable adjustments in the hours of work of the Reserve Bank (Bombay section). The Reserve Bank is the leading Bank, and not only the other Banks but even the commercial concerns follow its leadership with regard to such arrangements. It is because of all these circumstances, that my Committee hope and trust that your Board will be pleased to accept their request.

The Governor,
Reserve Bank of India,
Bombay.

I am directed to send to you herewith a copy of a letter which the Committee of this Chamber have addressed to the Government of Bombay, with reference to advancing of the clocks by one hour inaugurated since the 1st instant. My Committee have tried, in the said communication to the Local Government, to explain how very difficult and inconvenient it is for trade, commerce and industries to fit themselves to the new time. In their reply to the Government of Bombay, last year, they observed that the commercial community would try to adapt itself to the new time. Their experience, however, of the last two weeks and their consideration of the problem for a long time have convinced them that it is very difficult, if not impossible, to make such

adjustments in the hours of working in the business community as will make it suitable for the new standard time to be introduced without any inconvenience or annoyance. My Committee are appealing to you hereby to set the clock back by one hour or, as an alternative, to make suitable adjustments in the hours of work of the Reserve Bank. The Reserve Bank is the leading bank, and not only the other banks but even the commercial concerns follow the leadership of the Reserve Bank with regard to such arrangements. It is because of these circumstances that my Committee hope and trust that you and the Directors of the Reserve Bank will be pleased to accept their request.

A copy of my Committee's letter to the Bombay Bankers' Clearing House Association is also enclosed for your information.

The Chairman,
Bombay Bankers' Clearing House Association,
Bombay.

I am directed to send to you herewith a copy of a letter my Committee have addressed to the Government of Bombay with regard to advancing of the clocks by one hour since the 1st instant. This has upset, to a large extent, the working of trade, commerce and industries, as also the daily programme of a very large section of the population. My Committee have tried to show in their letter to Government above referred to, how it is difficult, if not impossible, to make any such adjustments in the hours of working to suit the conditions brought about by the new standard time. My Committee are appealing to you to take all these circumstances into your consideration and to set back the clocks of clearing houses concerned by one hour or, as an alternative, to make such changes in the hours of working of the Clearing Houses as to fit in with the new standard time. My Committee are addressing you, as the working of the Banks depends upon the clearing houses and the Banks individually cannot take steps in this connection, unless the Clearing House approves of it. My Committee are informed that the present time of the working of the Banks at Calcutta is from

10 a.m. to 2 p.m. and that before the recent change of time it was from 9 a.m. to 1 p.m.; it was again from 10 a.m. to 3 p.m. before the war emergency arose. The present time at Bombay is from 10 a.m. to 3 p.m. (new time); before 3rd August it was 10-30 a.m. to 3-30 p.m., and the pre-war time was from 11 a.m. to 4 p.m. for Indian Banks and from 10-30 a.m. to 3-30 p.m. for the Reserve Bank and the Exchange Banks. Since then the Reserve Bank time was changed from 10 a.m. to 3 p.m. and the Indian Banks and Exchange Banks from 10-30 a.m. to 3-30 p.m., and now it is from 10 a.m. to 3 p.m. This time for the beginning of work of Banks, viz. 10 a.m. is too early for them and the Banks' constituent public. It is vitally necessary for the due dispatch of work for the Banks and the commercial houses that the time should be changed. It is with this view that my Committee request you to fix your time in such a manner that constituent Banks may be enabled to change their working time to suit the new standard time. Either the clocks in the banks will have to be put back by one hour or suitable adjustments will have to be made in their working hours.

The Chairman,
Exchange Banks' Association,
Bombay.

I am directed to send to you herewith a copy of a letter the Committee of this Chamber have addressed to the Government of Bombay. The advancing of the clocks by one hour has upset the working in trade, commerce and industries, as also the daily programme of a very large section of the population. As has been said in my Committee's letter to Government, the habits and modes of life of a very large section of the population have made it difficult, if not impossible, to adjust their daily programmes to the new standard time, when it is borne in mind that it is exactly one hour and 39 minutes in advance of what was known as the Bombay Time, i.e. the natural time. My Committee have addressed the Reserve Bank of India and the Bombay Bankers' Clearing House Association and are addressing you also as the working hours of Banks are generally followed

by businessmen and industrial concerns. You will appreciate that Banks and commercial houses in a country should regulate their hours of working in accordance with the habits, manners and social conventions of that land. There is otherwise a grave possibility of business being upset and even, perhaps, the health of the population suffering. Under these circumstances, my Committee request you to be good enough to set back the clocks by one hour, or, as an alternative, to adjust the hours of working of the Banks to suit the new standard time. My Committee understand that most of the Indian Banks are in favour of doing so, and hope that your Association will join with them in getting the change effected.

The Manager, Bank of India, Central Bank of India, Bank of Baroda, Bombay Provincial Co-operative Bank, Canara Bank, Canara Industrial & Banking Syndicate, Indian Bank, Punjab National Bank, Union Bank of India, Habib Bank and Devkaran Nanjee Bank.

I am directed to send to you herewith copies of letters which the Committee of this Chamber have addressed to the Government of Bombay, the Reserve Bank of India, the Clearing House Association and the Exchange Banks' Association. The letters will show you how my Committee have represented that the new Standard Time introduced since the 1st of this month has proved extremely inconvenient to trade, commerce and industries and a large section of the population. It is vitally necessary and essential that the clocks should be set back by one hour in Government offices and the High Court and by the Banks, including the Reserve Bank of India. My Committee are informed that when this matter was brought forward before the Clearing House Association, the majority consisting of the Exchange Banks expressed themselves in approval of the New Standard Time and voted down the suggestion of the Indian Banks to effect a change in the time for the convenience of the mercantile community, which is the principal client of the Banks.

My Committee hope that the Indian Banks will press for a change in the time and for setting back the clocks by one hour, so that the inconvenience caused to the Indian business community, both employers and employees, may be removed.

Letter No. Sy. 123, *dated 28th September* 1942, *from Reserve Bank of India to Chamber.*

With reference to the Deputy Governor's letter No. Sy. 61, dated the 22nd instant, I am directed to inform you that the hours of business of the Bank with effect from the 1st October 1942, will be as follows :—

On Week Days: 10-30 A.M. to 3 P.M.
On Saturdays : 10-30 A.M. to 1 P.M.

Letter No. MS.CH. 101|14-42, *dated 26th September* 1942, *from Bankers' Clearing House to Chamber.*

In continuation of my letter No. MS.CH. 91/14-42, dated the 18th instant, I send herewith copies of Notices issued to the Press regarding change in the (1) Clearing Hours, (2) Hours of business of the Reserve Bank.

BOMBAY BANKERS' CLEARING HOUSE

NOTICE

Members of the Bombay Bankers' Clearing House draw the attention of their constituents to the revised "Clearing" hours.

The new rules come into force from 1st October 1942, and provide that the Clearings at the Reserve Bank of India shall be held at 12-15 P.M. and 2-30 P.M. on week-days and 11-45 A.M. on Saturdays.

In order that cheques be in time for these clearings, constituents are requested to ascertain from their bankers the latest hours of acceptance.

25th September 1942. W. T. McCALLUM,
President.

NOTICE

RESERVE BANK OF INDIA

Hours of Business

NOTICE IS HEREBY GIVEN that, with effect from the 1st October 1942, until further notice, the hours of business of the Reserve Bank of India, Bombay, will be as follows :—

On Week Days : 10-30 A.M. to 3 P.M.
On Saturdays : 10-30 A.M. to 1 P.M.

Reserve Bank of India, W. T. McCALLUM,
Bombay, 25th September 1942. Manager.

Letter No. 3498, *dated* 15*th October* 1942, *from Chamber to the Manager, G. I. P. Railway and B. B. & C. I. Railway.*

Consequent upon the introduction of the new Standard Time from 1st September 1942, many commercial and industrial firms found it necessary to re-adjust their working hours. On representations made by my Committee, the Reserve Bank of India and allied Banking institutions have, from the first of this month, revised their banking and clearing hours by advancing the same generally by half an hour. The Government of Bombay also re-adjusted the working hours for Government Offices.

It has been pointed out to my Committee that a large proportion of office-going people is residing in the suburban stations and that, therefore, it is necessary that the Railways should be appraised of the general changes as above in the working hours with a view to necessary adjustment being made in the timings of their suburban train services. The existing timings, particularly during the peak hours, were fixed in reference to the working hours then existing, and with the change that has now come over in regard to the working hours, the case for re-adjustment in the timings naturally arises. My Committee feel that the requirements of the situation will be met if the timings are generally advanced by at least half an hour. They, therefore, request that you will be pleased to give this matter your early consideration and to arrange that the timings are revised accordingly at least from 1st of the next month.

Letter No. 15203-*L*|233, *dated* 25*th November* 1942, *from G. I. P. Railway to Chamber.*

Enquiries made by this Railway's Chief Traffic Manager show that, consequent upon introduction of the New Standard Time, only a few offices have advanced their time of office attendance by about half an hour.

2. A series of observations were also made on trains reaching Victoria in the morning which showed that the bulk of traffic still continues to arrive between 9-30 and 10-00 hours, during which period a 5-minute train service is provided. It is also reported that neither an appreciable decrease

in traffic on these trains has occurred, nor has any appreciable increase occurred in traffic on trains reaching Victoria between 10-00 and 10-30 hours. Thus, the slight alteration in working hours in certain offices has not materially affected the movement of the main suburban traffic into Victoria, so that the present timings are, generally speaking, not unsuitable. The position is, however, being watched and any change, if found necessary, will be made.

3. The only change considered necessary for the present is in the case of No. 306 Up Kalyan Local (Kalyan Dep. 8-15, Victoria Arr. 10-00 hrs.). It has been arranged, with effect from 1-12-1942, to bring this train into Victoria at 10-15 hours for the convenience of those passengers, from stations beyond Thana, who are required to attend offices at 10-30 hours.

Letter No. TB|690, dated 24th October 1942, *from B. B. & C. I. Railway to Chamber.*

This question was discussed with Mr. Dhirajlal C. Modi on the 20th instant. As the office time differs in several offices and the present set of morning and evening peak train timings provide convenient services, it was decided not to disturb the timings.

Letter No. 4152, *dated 30th December* 1942, *from Chamber to the Prothonotary and Senior Master, Bombay High Court.*

I am desired by the Committee of the Indian Merchants' Chamber to address you in connection with the above matter with a request that you will kindly place the suggestions herein before the Hon'ble the Chief Justice of the High Court of Bombay for his kind and favourable consideration.

The Government of India decided, for reasons connected with the war, to advance the Indian Standard Time by one hour and with effect from 1st September 1942, all clocks were put ahead by an hour. This led to various public bodies and commercial houses making the necessary adjustment in their working hours. In many cases, the working hours were advanced by half an hour or one hour as the case may be.

The Reserve Bank of India and other banking institutions in the city had at first decided to continue the old timings, but in response to representations made by this Chamber and other commercial bodies, from 1st October 1942 the banking, clearing and working hours in the banks were advanced by half an hour. The working hours in some of the Government offices were also changed.

It may be pointed out that these changes were considered necessary because of the practical inconvenience and difficulties experienced by the employees, the general public and the commercial community; particularly to people staying in the suburbs, who are accustomed to finish their principal meal before starting for work the new timings proved to be a matter of extreme difficulty and it was found necessary by actual experience to bring about an adjustment in the working hours so as to obviate such difficulties.

The working hours of the Small Causes Court of Bombay, however, continue to be 11 a.m. to 5 p.m. It may be mentioned that the character of the work in the Small Causes Court necessitates the personal presence of the parties and the litigants in the Court premises in time. The Court, moreover, is situated at Dhobi Talao and people have to come from different parts of the city for any work they may have to get done there. Transport conditions are also difficult these days. Having regard to all these factors, my Committee feel that it would be a great facility to the public if the hours of work in the Small Causes Court are changed by advancing the same by half an hour, i.e. from 11-30 a.m. to 5-30 p.m.

In this connection, my Committee have seen a copy of the resolution passed by the Council of the Bombay Advocates Association suggesting a change in the timings as above. The proposal made therein has their general support. It is hoped that His Lordship the Chief Justice will be pleased to consider the matter sympathetically and arrange for an early adjustment in the working hours as prayed for herein.

Letter No. A-2|12, dated 12th January 1943, from the Registrar, High Court, Bombay to Chamber.

I am directed by the Honourable the Chief Justice and Judges to forward for your information the accompanying copy of High Court letter No. A-2|234, dated the 16th October 1942, addressed to the Chief Judge, Court of Small Causes, Bombay, and to say that Their Lordships still see no reason to change the hours of work of that Court.

From

The Registrar,
His Majesty's High Court of Judicature
(Appellate Side), Bombay.

To

The Chief Judge,
Court of Small Causes, Bombay.

No. A-2|234

Date 16-10-1942.

Subject and Reference : **Hours of work**—Change in—due to advancement of clocks

Your letter No. 313 dated 5-10-1942.

Sir,

I have the honour to state that the Honourable the Chief Justice and Judges see no reason to change the hours of work of your Court and offices at present.

APPENDIX 161

Reciprocity Bill in the Central Legislative Assembly.

Letter No. 5547|34-B, dated 16th December 1941, from Political and Services Department, Government of Bombay to Chamber.

I am directed to forward a copy* of Government Resolution No. 5547|34 of today's date, on the above subject, and to request that you will be so good as to communicate to Government by the 31st January 1942, any observations

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* Not printed.

(which may kindly be sent in triplicate) which your Chamber may desire to make in respect thereof.

Letter No. 214, dated 23rd January 1942, from Chamber to Political and Services Department, Government of Bombay.

I am directed to refer to your letter No. 5547|34-B, dated the 16th December 1941, on the above subject.

My Committee have gone through the provisions of the Bill to make provision in regard to Entry, Residence, the acquisition, holding or disposal of property, franchise, the holding of public office, etc. by persons domiciled in the British Possessions on a basis of reciprocity, introduced in the Legislative Assembly by Mr. Govind V. Deshmukh, M.L.A. They are in general agreement with the principles underlying the same.

The treatment meted out to Indians in other countries is a matter on which the Indian public in general and the commercial community in particular have strong views. The disabilities imposed on Indian nationals in some of the countries have come in for severe criticism from time to time. In order to end such a state of affairs and to safeguard the interests of Indians overseas, it is necessary that the law in this country should provide that a foreigner will be entitled to only such privileges and rights in India as are accorded by the laws of his own country to Indians resident there. My Committee are aware that the present Bill relates only to countries within the British Empire. It is unfortunate that even in some of the countries belonging to the Empire, there should be restrictions based on colour or nationality ; but the experience of Indians in the matter of treatment accorded to the nationals of this country in South Africa and Kenya points to the conclusion that without some pressure or retaliation as would be possible under the provisions of the Bill, matters cannot be expected to be set right.

My Committee therefore accord their support to the Bill in question and hope that the same will be placed on the Statute Book at an early date.

APPENDIX 162

Non-Official Committee for Controlling A.R.P.

Letter No. 2128, dated 6th May 1942, from Chamber to Home Department, Government of Bombay.

The attention of the Committee of this Chamber has been drawn to the correspondence which has passed between Government and the Bombay Municipal Corporation with regard to the control of A.R.P. and the like Civil Defence Measures. While Govt. recognise the "importance of associating all sections of the people with Civil Defence and welcomes the desire which is shown in many quarters to co-operate in this task," they are not prepared to hand over full control of Civil Defence which, according to them, would mean "the relinquishing of control of most of the activities of Government in an emergency." My Committee feel that there appears to be some misunderstanding with regard to this question. So far as they understand, the Municipal Corporation have not put forward a plea that the full control of Civil Defence Measures should pass over to them or to any non-official body. What they want, however, is that the A.R.P. and the like measures should be given over for control by a Committee consisting of representatives of the Municipal Corporation and such other public bodies. Any control of such measures by a Government agency is not likely to create that enthusiasm and that impetus among the public which can be brought about by an agency which is wholly popular. The Bombay Municipal Corporation, my Committee understand, have already offered their wholehearted co-operation with regard to A.R.P. and other measures and are prepared to vote big amounts in the furtherance of the same object. It is vitally essential for a City like Bombay that Civil Defence Measures of a military or semi-military type should be in charge of Government while other tasks like A.R.P. services, mobilisation of public effort by means of propaganda for self-defence, organising First-Aid training and First-Aid Posts, forming Rescue parties, organising and running temporary Rest Camps for people rendered homeless by enemy action, arranging proper distribution of food supply in times of danger, etc. should all be managed and looked after by a popular organisation.

Under the circumstances, my Committee trust that Government will be pleased, in the interests of the proper defence of the City, to accept the suggestion of the Bombay Municipal Corporation and to set up a Committee consisting of representatives of the Bombay Municipal Corporation and other public bodies to take charge of measures referred to above.

APPENDIX 163

Withdrawal and Slaughter of Prime Cattle for Military Purposes.

Letter No. 3497, *dated* 15*th October* 1942, *from Chamber to Department of Education, Health and Lands, Government of India.*

The Committee of this Chamber are given to understand that a large number of prime cattle are being purchased even at high prices, for being supplied to the Army. The fighting forces are to be fed and naturally no one can have any objection to necessary provision being made for that purpose. At the same time, the withdrawal of prime cattle from agriculture will mean a direct drain of agricultural wealth and might seriously come in the way of the campaign of 'Grow More Food,' which has been started since some time past in order to increase the production of foodgrains in the country to make her self-contained. My Committee will, therefore, be obliged if Government will be pleased to supply them with any figures regarding such a withdrawal of prime cattle for military purposes, and also any figures or statistics of export of such cattle to countries outside India. The importance of preserving prime cattle for purposes of agriculture, as also of producing more food crops, is as great as that of the production of munitions for purposes of winning the war.

Letter No. D. 1499-*A*|42 (*D*), *dated* 27*th November* 1942, *from the Secretary, Dept. of Education, Health and Lands, Govt. of India to Chamber.*

I am directed to acknowledge the receipt of your letter No. 3497, dated the 15th October 1942, addressed to this

Department, and to forward for information a copy of a Press Note, dated the 18th November 1942, on the subject mentioned above.

PRESS NOTE

Restrictions on Slaughter of Cattle

At its first meeting, held last August, the Central Food Advisory Council considered the increase in the slaughter of cattle resulting from the large-scale increase in the demand for meat due to the exigencies of the war and recommended that, to prevent permanent damage to the cattle wealth of the country, the slaughter of working bullocks in a good state of health below the age of 10 years, cows in milk and pregnant cows should be prohibited.

The recommendation has been accepted by the Government of India as regards the supply of meat to the defence forces. Cows in milk and pregnant cows are not being accepted for slaughter at present and instructions have been issued that in all future contracts for the supply of beef, a clause should be inserted to the effect that working cattle used for transportation will not be accepted and should not be tendered for inspection. Contractors with existing contracts are also being requested to comply with this restriction.

E. H. & L. Department,
New Delhi, November 18, 1942.

Letter No. 4023, dated 16th December 1942, from Chamber to Department of Education, Health and Lands, New Delhi.

I am directed to acknowledge receipt of your letter dated 27th November 1942, No. D. 1499-A|42(D), on the above subject and to thank you for the same.

In this connection, I am to point out that in my letter No. 3497, of the 15th October, my Committee had asked for figures relating to the withdrawal of prime cattle for military purposes, as also statistics of export of such cattle outside the country. This information has not been supplied. My Committee would further like to have figures of the number of

cattle slaughtered in different parts of the country during the last two or three years, year by year, before the war, and the corresponding figures for the years 1940, 41 and 42. They would also like to be supplied hereafter with figures of the number slaughtered after the instructions referred to in the Press Note of the 18th November were issued, so as to enable them to have an idea of the effect of the said restrictions on the total number of cattle slaughtered in the country.

Letter No. F. 25-158 (32) |42-A, dated 23rd March 1942, from Department of Education, Health and Lands to Chamber.

With reference to your letter No. 4023, dated the 16th December 1942, I am directed to say that the Government of India regret that they are unable to supply the statistics asked for.

APPENDIX 164

Exchange of Information Regarding Scientific and Industrial Research between India and U. K.

Letter No. 636, dated 28th February 1942, from Chamber to Board of Scientific and Industrial Research, New Delhi.

The Rt.-Hon. L. S. Amery, Secretary of State for India, recently said that "a system already exists for interchange of resulting information (about industrial and scientific experiments and researches on hand and in contemplation) with the appropriate technical authorities," and that, "further suggestions for developing this system of liaison are receiving consideration." My Committee are aware that the system of reciprocity, as we are assured it is, is obtaining in this country since sometime past. Their information is that results of researches and scientific enquiries carried on in Government laboratories and semi-government laboratories are transmitted to the Committee of the Privy Council for Scientific and Industrial Research in London. The point at issue is whether corresponding results of research work carried out in British laboratories, both Government and semi-government, are similarly transmitted to this country for being placed before Government laboratories and semi-government laboratories. The system to which Mr. Amery refers would have its advan-

tages, if such a reciprocity were really carried out. If, however, only India is expected to transmit the results of her enquiries, without getting anything in return, it would be gravely unfair to this country.

My Committee will be greatly obliged if you will be pleased to throw some light on this question and inform them as to whether there is real reciprocity in the working of the system, as also where the information sent from England, if at all, is collected and whether any use of it, for the benefit of this country, is made.

Letter No. B-1050, dated 21st March 1942, from Board of Scientific and Industrial Research to Chamber.

With reference to your letter No. 636, dated the 28th February 1942, I write to inform you that copies of the lists of researches in progress or contemplated in the United Kingdom, both under the Department of Scientific and Industrial Research and under the various Research Associations, (which are confidential), are received annually from the Department of Scientific and Industrial Research, London, and distributed to the various official and semi-public Research Institutions in India for their information and use. You will thus see that a system of interchange of information on research between India and the United Kingdom exists.

Letter No. 998, dated 2nd April 1942, from Chamber to the Director, University School of Technology, Bombay; the Director, Royal Institute of Science, Bombay; the Director, Technological Laboratory, Indian Central Cotton Committee, Bombay; the Director of Industries, Bombay.

It has come to the knowledge of the Committee of this Chamber that there is supposed to be reciprocity regarding exchange of information regarding research works between Scientific Institutions here and Scientific Institutions in England and that on the basis of this reciprocity, intimation has been given of all the research work being carried on here to the corresponding institutions in England. My Committee want to know if such reciprocity was followed with regard to research work carried on in U.K. and whether intimation is given to all our Scientific Institutions here of such research

work. They are now given to understand that information regarding research work in progress or in contemplation in U.K. both under the Department of Scientific and Industrial Research and under the various Research Associations is received annually from the Department in London, and distributed to the various official and semi-public Research Institutions in India.

My Committee will be obliged if you will be kind enough to let them know if such information is being communicated to you as reported above.

Letter No. 1206, *dated 6th April* 1942, *from Director of Technological Laboratory, Matunga to Chamber.*

With reference to your letter No. 998, dated the 2nd April 1942, I have the honour to say that a certain amount of reciprocity exists between my Laboratory and some research institutions in England. Whenever a question arises in which any information is required in regard to apparatus or scientific method or technique and it is felt that this information may be available at one of the research institutions in England, this particular institution is addressed in the matter, and in most cases this information has been freely supplied. Similarly, when any of the research institutions wishes to obtain information regarding the work done at the Laboratory such information is supplied on a basis of reciprocity. In addition a certain amount of information regarding programme of work, etc. is also received, on the basis of reciprocity, from the Department of Scientific and Industrial Research but this information is generally received as confidential and is treated as such.

Letter No. 12|127, *dated* 21*st April* 1942, *from Royal Institute of Science, Bombay to Chamber.*

With reference to your letter No. 998, dated 2nd April 1942, I am not aware of any central agency here in India regarding exchange of information about research works as mentioned in your letter.

I presume such information is generally gathered by the Institutions doing research work from the published informa-

tion available in periodicals subscribed by Institutions concerned, or from annual reports published by the Institutions.

An attempt to establish a Central Information Bureau at the Indian Institute of Science, Bangalore was made. Please obtain the information from this place directly.

Letter No. 325|3571, *dated* 1*st October* 1942, *from Director of Industries, Bombay to Chamber.*

With reference to your letter No. 998, dated 2nd April 1942, on the subject cited above, I enclose herewith a copy of letter No. B-1050, dated 24th September 1942, from the Director, Board of Scientific and Industrial Research, Delhi, who was referred to in the matter, for your information.

*Copy of letter B-*1050, *dated 24th September* 1942, *from the Director, Scientific and Industrial Research, University Buildings, Delhi, to the Director of Industries, Bombay.*

With reference to your letter No. Chem. 325|1293, dated the 27th April 1942, and subsequent reminders dated the 6th June 1942 and 15th September 1942, I have the honour to inform you that it is impossible during the duration of war to get additional copies of Research Programmes from U.K. for distribution to various Directors of Industries of Provinces and States. In view of the above it has since been decided that the Director of Scientific and Industrial Research will make a resume of important information and circulate it together with his 'Survey' of Industrial Researches conducted in this country. The information is being collected and will be passed on to you when completed.

Letter No. 870, *dated 6th April* 1942, *from Department of Chemical Technology, Bombay to Chamber.*

With reference to your letter No. 998 of the 2nd instant, I have to state that this Department has not so far received any information regarding research work in progress or in contemplation in the United Kingdom.

APPENDIX 165

Evacuation Facilities for Indians in Burma.

Telegram dated 30th January 1942, from Chamber to Overseas Member, Government of India.

Committee Indian Merchants' Chamber understand serious difficulties are experienced by Indian evacuees intending to return from Rangoon to India. Present arrangement of allowing only one man accompanying five women and children apart from other difficulties and inconveniences resulting in compulsory staying of men not specially required there. Addition to these difficulties passengers are compelled staying dispersion camp with very small luggage and no relations are allowed to see them thereafter. All representations made to agent of Government of India in Rangoon proved of no avail and Committee understand his attitude not helpful at all. Committee would therefore most earnestly appeal to you firstly to arrange for provision of more passenger ships for bringing Indians from Burma to India and to allow all Indians to return without present stringent conditions as many of them are absolutely unemployed. Committee will feel grateful if you will be pleased to issue necessary instructions and make prompt arrangements and ask your agent to act in full consultation with Presidents, Burma Indian Chamber, Burma Indian Association and Nattukottai Chettiars' Association.

Telegram dated 18th February 1942, from Chamber to Overseas Member, Government of India.

Committee Indian Merchants' Chamber would again request you to take prompt and immediate action regarding facilities for Indians in Burma to come back to this country. In view of obvious difficulties in providing adequate shipping accommodation and of the increased risk attendant on the sea route it is very necessary that immediate steps be taken to open a land route and provide facilities for evacuees to come by land. Urge that arrangements in this regard should be expedited.

Letter No. D.1424|42-O.S., dated 23rd February 1942, from Department of Overseas, Government of India to Chamber.

I am directed to acknowledge the receipt of your telegram, dated the 18th February 1942, on the subject mentioned above, addressed to the Honourable Member in charge of this Department, and to say that the matter is receiving the most urgent attention of the Government of India. Two land routes from Burma to India, one via Prome and Tangup to Chittagong and the other via Tamu to Imphal (Manipur) are already open and large numbers of Indians are already returning home by these routes. The Government of India are making arrangement to provide the necessary facilities for evacuees along these routes.

APPENDIX 166

Rents in the City.

Letter No. A.D.M., dated 13th January 1942, from Collector of Bombay to Chamber.

I have the honour to state that there have been complaints that the rents in Bombay City have been gradually rising during the last twelve months. I would, therefore, request you to furnish me with the views of your Chamber on the following points :—

(1) Whether there has been any increase in rents in respect of premises used for commercial purposes and especially in respect of godowns;

(2) Whether there are any reasons for the increase and, if so, what and how far they are justifiable ;

(3) Whether the increase in rent is general or restricted to particular localities ;

(4) Whether it would be necessary to fix the maximum rent retrospectively, i.e. as it was charged on any particular previous date, in case you consider that restriction of rent is necessary.

2. As the matter is very urgent a reply may please be sent by the 20th January 1942 at the latest.

Letter No. 191, *dated 21st January* 1942, *from Chamber to Collector of Bombay.*

I am directed to refer to your letter No. A.D.M., dated 13th January 1942, on the above subject, and in reply to send to you hereby the views of my Committee on the points raised therein :

No. 1: There has been a general increase in rents in respect of premises used for commercial purposes as also for godowns.

No. 2: Regarding godowns in particular the demand for the same has increased abnormally because of accumulation of stocks due to transport shortage, viz. inadequacy of shipping tonnage and wagon shortage. Stocks had thus to be kept stored up for a longer time.

No. 3 : The increase may be said to be general, although in particular localities it may be more marked.

No. 4: Some cases have been brought to the notice of my Committee where godown rents have been put up by large percentage in certain localities. In fact, rents have been more than doubled in some cases. My Committee do not consider any general restriction necessary, but if Government after full investigation consider that the increase in some localities is exhorbitant, restriction may, if Government consider same necessary, be imposed in those localities. In any case, under no circumstances, should retrospective effect be given to any such restrictions.

APPENDIX 167

Appointment of European Evacuees to Posts Under the Government of India.

Telegram dated 22nd July 1942, *from Chamber to Overseas Department, Government of India.*

Committee Indian Merchants' Chamber have seen reports that appointments under the Government of India including posts involving high responsibilities and substantial remuneration are being given to European evacuees who have returned from Burma and other countries. Such action on

the part of Government besides involving great injustice to the sons of the soil also deprives and limits the opportunities available to Indian evacuees. Having regard to the large number of Indian evacuees for whom suitable appointments have to be found and considering the need to preserve the accepted policy of Indianisation of the important services in the country Committee request that Government should stop the policy of giving jobs to European evacuees. It is understood that His Majesty's Government have undertaken the obligation of looking after and providing for European evacuees at present in India. No such obligation appears to have been undertaken by that Government in respect of Indian evacuees. In view particularly of this it is but proper that the Government of India should confine such appointments to Indian evacuees only.

APPENDIX 168

Speeches of the President and Vice-President at the Quarterly Meetings of the Chamber.

Speech of Mr. J. C. Setalvad, President, Indian Merchants' Chamber, at the First Quarterly General Meeting of the Chamber, on 6th May 1942.

GENTLEMEN,

The report of the work done during the last quarter by your Committee is before you.

Since we met last, the war situation has assumed far graver proportions. Since the beginning of the war in 1939 it was said that it was a World War, but that there was no element of danger to India in the near future. Such a feeling existed to a large extent among the people and was, if I may say so, shared also by the Government of India. Such a feeling of security, albeit it was a wrong feeling, was strengthened by the Italian debacle which occurred in 1941. Was it possible that any country could remain aloof from a war of such tremendous proportions ? When it came to the Middle East, we were still patting ourselves on our backs that it was still far away and that Suez and Aden were not in India. Then it came to the Far East and the blaze took us by storm though we still thought that Malaya, Hong Kong, Java, Borneo, Singapore, etc., were so impregnable that the onslaught of the enemy would not be able to do anything to them. The operations in those regions were deemed to be so far distant as not

to cause us a loss of even a wink of sleep. Then the war extended to Burma, Andamans and even Ceylon and now practically the cloud is over us.

Your Committee were busy considering several questions connected with the war operations. There were questions of control, there were questions of permits, licences and dangers threatening trade and industries because of restrictive measures. There were also questions affecting the food of the people like the Wheat problem as also the shortage of several other foodstuffs. Fortunately for us India has not to depend entirely upon external sources for her food supplies. There is recently, however, reported shortage of some of the articles of foodstuffs in the internal economy of the country. The Burma War, stoppage of imports of wheat, exports of foodstuffs for military requirements, supply of foodstuffs for the neighbouring countries like Iran, Iraq, Ceylon, freezing of stocks on account of private hoarding, are some of the reasons which may be mentioned to explain the shortage position. It is satisfactory to note that a lead has been given by the Central Government and has been taken up by the Provincial Governments to speed up and intensify food production in all the provinces of the country.

One of our great difficulties in dealing with the present day situation is that the public is not taken sufficiently into confidence by Government. Sir Roger Lumley recently said that one could not tell exactly when the big developments would come or how far they would go. It is, however, expedient to have plans ready in case any of those developments bring the threat of war nearer to us.

His Excellency, General Wavell, the Commander-in-Chief of India, placed his finger upon the crucial spot in his broadcast when he said : " We have a difficult and dangerous period ahead, and my responsibility to you is heavy. But I can assure you of these things, of the realisation by the Allied Nations of the danger to India and of the importance of India to the general war effort ; of their resolution to send aid to the Indian people and to defend to the utmost ; and of their unshakeable will to fight on to the end. .....Some of India's most prominent leaders have lately given a stirring call towards resistance and against defeatism. If all in India, of every class and creed, British and Indian, official and non-official, will face the danger calmly stay at their posts in office or factory or village and will work wholeheartedly for India at this crisis, we have nothing to fear."

It is a sign of the times that leaders who command trust and confidence of their fellow-citizens like Pandit Jawaharlal Nehru, Sjt. C. Rajagopalachari, Dr. Rajendra Prasad and others have all been appealing in no uncertain terms to their country-

men to defend themselves and no to get panicky. People may be well advised to face the developments whatever they may be, with fortitude and patience and silent and steady courage for which India has got a reputation in the past.

Political Development

Ever since the war broke out, at all our General Meetings the President and the Vice-President of the time have been insisting in no uncertain voice on a political settlement of Great Britain with India as that was the only means possible for cementing all the forces of India together and making her a capable unit in the British Commonwealth to fight against the advancing hordes. India has now to fight in her self-defence, but such a fight could not be carried out unless the people were fighting in defence of their Motherland and in defence of freedom. There would not be any inspiration or impetus behind if the fight was merely to continue their bondage albeit with a grandiose name. All such appeals as also appeals of big organisations fell on deaf ears and the British authorities paid but scant attention to them. Ultimately, the British Cabinet appeared to have been convinced under pressure from British public opinion, as also American public opinion, that appeasement of India was one of the first essential steps towards winning the war. No less a person than Sir Stafford Cripps was entrusted with this very responsible task. His well-known political principles and his achievement in Russia earned him a welcome from our people as very few men coming from Great Britain have received. The proposals which Sir Stafford Cripps brought with him from the British War Cabinet were, it must be said, an advance on the previous proposals. Unfortunately, the Mission broke down with regard to the question of defence and the interim proposals regarding national Government. It is extremely sad that after the very sincere and honest efforts made by the leaders of the public opinion, specially by the Congress leaders to arrive at a settlement the same could not be arranged and Sir Stafford Cripps had to go back disappointed. I should think that it is not even now too late to build up a bridge from where they had left. Active and earnest steps must be taken by our leaders and by the British War Cabinet and by the members of the Viceroy's Executive Council to continue the efforts for a settlement and to bring it about. If it is true that the permanent bureaucracy of the land has put its spoke in the wheel, it is all the greater reason why the settlement should be arranged and the permanent bureaucracy should not be allowed to bring about a debacle in this country just as it has done in some other lands.

Our Immediate Problem

Our immediate problem is of self-defence. Even though the Cripps' Mission may have failed, the work of defending

this land should not fail as our leaders have repeatedly said that the failure of the Mission will not come in the way of such an organisation for defending the country. I am, however, sometimes struck by the paradox of exhortations for defending the land when practically we are all an armless nation. What are the people who have been deprived of their arms for several generations to do when pitted against nations which have been fully equipped with latest technical and scientific arms ? All such restrictions on the issue of arms are due to mistrust and want of faith and confidence in the Indian people. If two years back honest attempts had been made for arming the Indian people and getting their fullest co-operation, the results would have been satisfactory and India could have given a very good response to the cry for defending herself. Is it not a shame that even respectable citizens are faced with insurmountable difficulty in getting licences for arms ? You must be reading in the papers accounts of armed dacoities even in some of the leading towns and villages in the mofussil as well as in some of the suburban places. Surely, if the population had been armed such occurrences would not have been possible at all. Not only are such restrictions on licences going on for a pretty good length of time, but as soon as war broke out restrictions were indiscriminately placed on the organisation of volunteers by several public bodies and there were bans and taboos against marching and parading in formation and in uniforms excepting for semi-Government organisations. It is vitally essential that such restrictions and limitations should be taken away if the people have to play their part in their own defence and Government may well consider a revision of their orders passed at a time when they themselves were under an influence of panic.

There is also a vital necessity for entrusting several activities of the A. R. P. to the people. I do not think I am exaggerating when I say that the A. R. P. has not yet drawn a large measure of popular enthusiasm. It may be possible to evoke such an enthusiasm when it is realised that the A. R. P. is neither a Government nor a semi-Government organisation but is a people's organisation and when several irritative actions and measures are weeded out. The Bombay Municipal Corporation has, we are glad to note, thrown itself heart and soul in this question of organising the citizens of Bombay for their defence and the letter the Government of Bombay recently addressed to it was like a damper. It is a tragedy indeed that even while the enemy is at the gates, Government cannot move with the times and extend a hand of co-operation to the people's representatives. A people's war cannot be fought without mutual confidence between the people and the Government.

Evacuation

The conquest by Japan of several big territories led to a precipitous evacuation of hundreds of thousands of people, men, women and children, from those regions to India, which was to them the nearest and the most hospitable land after their bitter and cruel experiences. The tales which we have heard about the evacuation are, unfortunately, very disturbing. There have been numerous allegations about the way in which the evacuation was carried out and the discrimination as between the colours and the races which was seen and the miseries which the Indian evacuees had to undergo. The Prime Minister of England has for the present refused an enquiry into the incidents which led to the debacle of Malaya, Singapore and Burma. The Government of India also have not as yet appointed any Committee of Enquiry. Pandit Jawaharlal Nehru rightly says that " he does not excuse the Overseas Member of the Government of India who must share a considerable part of the blame." Looking to these sad experiences of Indians and other Asiatics when evacuating from regions which the Japanese have now captured, it is but meet and proper that we should appeal to the Government of India and the Provincial Governments to take precautions against repeatiig the mistakes which were committed in those regions and to carry out evacuation if such a policy has to be resorted to unattended by all the horrors which attended the evacuations from Rangoon, Moulmein, Penang, Malaya, Singapore, etc. Even if there is going to be an evacuation, let evacuation be carried out without any perturbation or disturbance.

The American Technical Mission

When in early March this year it was announced that the Government of the United States of America proposed to send out a Technical Mission to this country, there were misgivings here and apprehensions were expressed about the long-term consequences and effects of any attempts at securing the acceleration of industrialisation in this country through American aid and co-operation. Fortunately assurances have now been forthcoming that our fears as above are unjustified and groundless. Statements have been made in press conferences and in broadcast talks by Col. Johnson, President Roosevelt's personal Envoy in India, and Dr. Grady, the leader of the Technical Mission, assuring the people of this country that the aim of the Mission is a specific one, viz. providing technical and financial assistance to enable Indian industry to be placed on a basis of war production. Thus, Col. Johnson in his recent broadcast talk observed that the function of the Mission would be to put at the country's disposal America's technical skill " so that production in this country may be increased, so that industries may make the transition smoothly from a peace-time footing to a

war-time footing, so that India may be able better to defend herself and better to contribute to the defeat of our common enemy." The Government of India have also assured us that the Mission is not concerned with the question of the general industrial development of India, but only with the limited field of war production and that " there will be no question of American competition with Indian industrial interests." As far as the Indian commercial community is concerned we have almost from the very commencement of the war been urging upon the Government of India the need for increasing the tempo of production in this country. For various reasons, into the details of which it is not necessary at this stage to go, the war opportunity has not been made full use of in securing maximum progress in developing industries. The commercial community would, under the circumstances, welcome as was made clear by Mr. G. L. Mehta, the President of the Federation in a recent statement, technical assistance and guidance as the American Mission may be able to give in increasing the production or securing equipment for the effective prosecution of the war, incidentally assisting in the onward march of India on the road to industrial self-sufficiency. It is needless to emphasise that all the industries which may thus be started should be solely and wholly under the control, direction and management of the nationals of this country.

In order, however, that the work of the Mission may inspire confidence in the sons of the soil, we had suggested that representatives of Indian commerce and industry should be associated with the discussions and deliberations of the Mission in all its stages. We note that the Mission had informal discussions with some of the leaders of thought in the commercial world, but in our opinion, such casual consultation is not sufficient and non-officials drawn from the commercial sphere should be actively associated in the day-to-day work of the Mission so that their practical experience and the actual requirements of the country will be prominently stressed before the authorities and the members of the Mission. Even now it is not too late and we reiterate the suggestion that before formulating any plans as a result of all these discussions, the co-operation and advice of the Indian commercial community should be welcomed and enlisted.

Speech of Mr. Haridas Madhavdas, Vice-President, Indian Merchants' Chamber, at the First Quarterly General Meeting of the Chamber on Wednesday, 6th May 1942.

MR. PRESIDENT AND GENTLEMEN,

The President has in his speech dealt with some of the important problems arising out of the present situation ; I propose to refer to some of the questions connected with trade,

commerce and industry which are uppermost in our minds today.

The Indian Sugar Industry

The retirement of Dr. Sir T. S. Venkataraman, C.I.E., Imperial Sugarcane Expert, reminds us of the romance of a new leading industry of this country, viz. the sugar industry. It is a history of all the leading industries of this country that doubts are expressed when a new industry is proposed to be started and carping and pessimistic critics aver that the industry is bound to fail. The same was the case with the sugar industry. India had to depend upon foreign sugar coming from Java and European countries like Czechoslovakia. From Java alone India was importing sugar of over one million tons per annum, and this import fell down to 8,986 tons in 1937-38. The production of sugar in India was 158,000 tons in 1931-32 and it increased to 1,241,000 tons in 1939-40. It was to no small extent due to the research of Sir T. S. Venkataraman that such a tremendous increase in the production of sugar in the country has taken place and that the industry has taken such vast strides.

Recently, your Committee were asked to express their opinion with regard to the contemplated extension of the International Sugar Agreement of 1937, under Article 16 of which exports of Indian sugar by sea elsewhere than to Burma were prohibited. It was a scandalous agreement barring, as it did, the progress of this country in the matter of the sugar industry. A strong protest was lodged on our behalf by the then President of the Chamber, the Hon'ble Mr. Govindlal Shivlal Motilal, at the third Quarterly General Meeting of the Chamber and objection was also lodged very strongly in the Legislature. He spoke as under :

> " Your Committee took strong exception to imposing on India the International Sugar Agreement which prevents her from exporting sugar to any country except Burma for the next five years. .....When Government brought it before the Assembly during the last Simla session to get its approval, the Assembly very rightly declined to give its consent..... I have no hesitation in saying that with the aid of protection India has become the largest sugar producing country of the world and now stands in need of export markets for absorbing her surplus sugar production. There is considerable field for expansion of this industry in our country, and by effecting improvements in the quality of the sugarcane and by reducing the cost of production which she has been continuously doing, the industry hopes to compete successfully with some of the sugar producing countries of the world. India has been

very shabbily treated in this agreement particularly by the United Kingdom."

Since the war started in 1939 the question of export of sugar has taken a very important turn. It made the International Sugar Agreement inoperative due to various reasons amongst which were the restrictions on imports and exports of sugar to and from belligerent countries, disturbance in the export quota assigned to various countries due to depredations of Germany, etc. Your Committee, therefore, when they were consulted by Government recently, gave it as their opinion that they were strongly in favour of rescinding the International Agreement as they were from the very beginning opposed to it. It is now to be hoped that when the commercial community is consulted with regard to the revision of the International Sugar Agreement and when they have given their opinion against extension in no uncertain terms, arrangements will be made to make India free with regard to the export of sugar. She has now become a self-contained country so far as sugar is concerned and is even in a position to export sugar to foreign markets. At the same time, I must say that the Indian sugar industry does not still get all the facilities which it is entitled to expect from Government in view of its importance and utility to the country at large. There are factories which have got stocks worth lakhs of rupees tied up at wayside stations because of their difficulty in getting any transport. There are also factories which cannot get fuel and which are threatened, therefore, with the probability of having to close down for want of this most essential material.

Recently a Sugar Control Order has been issued by Government fixing the sugar price at Rs. 11-12 per maund ex-factory, for a selected standard. Your Committee sent a telegram of protest against the order specially regretting that the industrial and commercial community was not consulted before such an order was issued. We apprehend that the order may result in damaging the cause of the sugar industry in British India. The rate fixed is rather low and a flat rate is more or less unsuitable for a big country like India. Sugar industry is not only an industry as such, but it combines the advantages both of agriculture and industry. The prosperity of the industry means the prosperity of the agriculturists and I hope that both the Government and the industrialists concerned will bear this fact in mind whenever any problems concerned with the industry are to be tackled.

Import & Export Control

Considerations of economic warfare have necessitated the imposition of a variety of controls particularly in the sphere of imports and exports. Your Committee have been, from time to time, representing to Government the practical difficulties

involved in the manner and method of administering some of these controls. I would like to refer today to some general aspects arising out of these controls. We all realise that during war some of the restrictions are inevitable. Our only anxiety is that in framing the details of the restrictions and in administering the same sufficient care should be taken to see that the permanent interests of the trade of the country and of the established merchants trading in the different commodities subject to control are not jeopardised. It is also necessary to ensure that because of the existence of such control normal channels of trade are not unnecessarily disturbed or dislocated.

We have been lately receiving complaints that controls and quotas particularly in regard to exports from this country are bringing into existence new institutions and new shippers and exporters who are able to bring to bear influence on the authorities administering the control scheme. We have recently had complaints about activities of the United Kingdom Commercial Corporation in the sphere of the export business of this country. I do not want to go into the details of the various complaints made to us. It stands to reason that an institution like that Corporation, which is practically a body representing His Majesty's Government, will be in a position of advantage if it enters into competition with private traders and exporters. Naturally, the Corporation would be in a position to influence greater attention to its requirements in the matter of export licences, priorities, shipping freight and other facilities. Steps should, therefore, be taken to ensure that the import or export control should not result in the deprivation to the Indian merchants, importers or exporters, of their legitimate share of the trade and that no monopolistic or submonopolistic bodies are created because such an arrangement is bound to affect the economic price level of all goods, both manufactures and raw materials.

War Risks (Goods) Insurance

Your Committee had taken a leading part in 1940 in the negotiations for the introduction of the War Risks (Goods) Insurance scheme and the wisdom of the steps taken by them then is proved by the subsequent developments and by the imminency of the enemy attacks which we all recognise today. It is true that the cost of the cover under the scheme is a burden on trade and commerce ; the rate of premium when the scheme was first started in September 1940 was fixed at 1-32 per cent per month, in April 1941 it was increased to 1-16 per cent ; later it was again increased to 1-8 per cent and since the 1st of last month a further increase to 3-16 per cent has been effected. Although having regard to the fact that Government had so far not to meet any claims, the commercial community has demurred at the successive increases in the rates, in

view of the war clouds that are gathering over this country in the past few days, they have not been very vociferous in their protests. That does not mean that Government should assume that we have acquiesced in these increases ; an early opportunity should be taken to review the position and to make the charge less burdensome. During the course of the working of the scheme several practical difficulties were experienced and your Committee, in common with other organisations in the country, drew the attention of Government to the same. Some of the changes effected in consequence of such representations may be briefly explained.

Originally goods situated in British India on land alone were covered and goods in Customs Ports or in territorial waters were not protected. The necessary changes were effected to make certain sea-borne goods in British Indian territorial waters insurable. Normally, by the term ' territorial waters ' a distance of three miles from the port concerned is meant. It was subsequently found that in certain ports as for example, Tuticorin and Calicut, vessels were moored more than three miles away from the coast. Therefore, the protection was extended to cover the road-steads where vessels normally anchored in such ports. Doubts were felt whether Commission Agents, who had advanced moneys against goods and as such were in possession of them for purposes of sale, had an insurable interest in such goods. The Government of India have agreed that such Agents who are entitled to sell the goods in question or have an interest in the same would be allowed to insure the goods under the scheme. Similarly, bankers who advance moneys on goods are entitled to take the necessary war risk cover.

Recent happenings in the Far East and Singapore raised the question of the position of goods which might have been insured and which might fall in the hands of the enemy. It was pointed out to the Committee that seizure of stocks and goods by enemy was not one of the risks covered by the War Risks (Goods) Insurance scheme. The matter was represented to Government and it was urged that in view of the prevailing nervousness on account of the war developments, if protection was not given against seizure, the handling of goods and commodities in port towns would be jeopardised with consequent unsettlement of normal trade and business. Government, in their reply, have informed us that it had been decided that damage to goods resulting from destructive action taken by or under the orders of Government in order to deny facilities to the enemy should be covered under the War Risks (Goods) Insurance scheme, but that goods abandoned by owners and goods seized by the enemy would not be so covered. We are unable to appreciate the distinction which Government seek to
t make as above and submit that loss due to seizure of goods by

enemy is equally a risk arising out of war. If the fundametal object of the War Risks Insurance scheme, viz. securing the free movement and handling of goods is to be served, it is necessary that the latter risk also should be made to come within the scope of the scheme.

War Risk Insurance for Factories

Government have announced their intention to institute a scheme of War Risk Insurance for factory buildings, plants and machinery, etc. In fact, when the war clouds began to gather over this country, representations were made by your Committee, in common with several other Associations in the country, for an early institution of such a scheme in order that factory-owners may be protected from any possible damage arising out of enemy action. The rules and other details of the scheme are yet to be framed, but the main feature is that all property which appertains to a factory shall be compulsorily insured for a sum not less than the insurable value of such property. The basis of ascertaining the insurable value has yet to be settled, but a demand has been made on behalf of the factory-owners that the same should have reference to the cost of replacement. The cover under the scheme is for a minimum period of two years and the rate of premium fixed is 4 per cent of the insurable value. Having regard, however, to the fact that only 80 per cent of the loss will be made good by Government, the remaining 20 per cent to be borne by the owners, the premium actually works out to a rate of 5 per cent and is, therefore, very high. It is also not made clear whether payments made for this cover would be allowed as an expenditure for Income-tax and E. P. T. purposes. The scheme covers loss arising out of the destructive measures with a view to denying facilities to the enemy, or what has come to be known as " scorched earth policy ". At least in regard to loss under such circumstances, full compensation should be made and there is no justification for the limit of 80 per cent. The manner and method of settling claims have also been left vague. One of the points stressed by the commercial community was that payment should be made immediately after loss and that at all events it should not be delayed for more than a period of six months. It is hoped that while framing the rules and settling the other details connected with the scheme, Government will take into consideration the suggestions and views expressed by the commercial community and make the necessary adjustments.

" Scorched Earth " Policy

The Commercial and Industrial community has been agitated in regard to the possibility, and the likely consequence, of the application of what has come to be known as " Scorched Earth " policy. By Scorched Earth is meant that a retreating

army or the people of the country engaged in guerilla warfare destroys whatever things may be of the slightest assistance to the invaders with the result that factories, public utility services, bridges, standing crops, etc., all are destroyed leaving the land which is blackened or scorched. History records that these tactics were first adopted by Russia in the Napoleonic wars. " When Napolean advanced in Russia in 1812, the defenders of the Russian soil were forced to retreat inwards into the country. During their retreat, they set about with a Prussian thoroughness and destroyed everything that could be of any help to the invaders. The soldiers of the great French Empire were so handicapped for want of food and other necessaries that many thousands began to die of starvation." Again in this war also, the policy is reported to have been adopted with success in Russia. There are already two opinions about the suitability of Scorched Earth under modern conditions of war. We are, however, at the moment concerned with the dangers inherent in the application of that policy to this country. Destruction of industrial units, means of communication, warehouses containing foodstuffs or materials on which the civil population depends will all react on the economic structure of the society. As Mr. G. L. Mehta, the President of the Federation of Indian Chambers of Commerce and Industry recently observed, " if industrial plants like those of jute, cotton or sugar are destroyed they will take years to be rebuilt even after the war and meanwhile, not merely the owner of the factoris but also the cultivators of these commodities, the industrial workers as well as those engaged in ancillary and subsidiary industries, trades and occupations would all suffer. Such demolition of industries built up after years of struggle at large expense and often against heavy odds, will cause economic dislocation and disorganisation altogether disproportionate to any benefits secured as a measure of war," and destruction of stocks too may result in the suffering for the people. Although it is nearly two months since this issue has been raised to the forefront, we have not been favoured with an official pronouncement as to the intentions of Government in the matter. Reports have appeared that wholesale destruction is not contemplated in this country and that only such precautionary or preparatory measures would be taken with a view to denying facilities to enemy. It is high time that an authoritative statement as to the policy which Government propose to follow here in this matter was issued. It is true that under the War Risk Factory Insurance Ordinance recently promulgated, provision has been made for compensation in respect of loss arising out of the application of Scorched Earth ; while compensation may enable the owners to reimburse themselves so far as monetary loss is concerned it cannot and will not repair the damage done to the country and its economic condition. Indian industries have been built up after years of labour and the process of re-estab-

lishing or re-building fresh units in place of those demolished is frought with serious difficulties. We earnestly hope and trust that the need for adopting Scorched Earth methods in India will not arise.

Speech of Mr. J. C. Setalvad, President, Indian Merchants' Chamber, at the Second Quarterly General Meeting of the Chamber, on 4th August, 1942.

GENTLEMEN,

Extracts from the proceedings of the Committee during the last quarter ended 30th June are in your hands. We are meeting today under the shadow of critical events, which are shaking or are going to shake the whole world. This second armageddon has begun since September, 1939, and there has been a holocaust of millions of men, women and children and the cry still is on all the sides : kill, kill and kill. The world indeed, has gone mad. Surely, for whatever purpose this world may have been created, it could not have been for the mutual slaughter and murders, which was the order of the day from 1914 to 1918 and which is again the order of the day since September 1939. The world is really constituted for peace ; but, as things are, the whole ideal is perverted and it is now constituted for war. The social and economic life is also being changed to suit the purposes of the war. It is seemingly not yet realised that a war can never stop the future wars. During the last war, it was this same slogan used, parrot-like, by the statesmen of the day that brought about the end of hundreds of thousands of precious lives and laid waste large tracts of different countries of the world. The Versailles Peace showed how a war carried on under modern conditions can never stop the future wars. That lesson, however, was too soon forgotten, and the different nations of the world have been busy cutting each other's throats and pounding hundreds of thousands of people, including women and children, to smithereens, for hazy objectives. All the colonies were consulted about the declaration of the war, but India, whom England is considered to have been treating as a Dominion, was left out, and it was made a grievance that Indian statesmen and politicians should be driven to protest against this neglect. That was the most critical occasion for both England and India for the settlement of their relations which have never been of the best since the last several years. Indians of all shades of political opinion including Mahatma Gandhi and the Congress Leaders had their fullest sympathies with the Allied Nations, though they made it clear that if India was expected to fight for the Allied Nations, she must herself fight as a free nation. India can-

not naturally fight to cement her chains of bondage all the more. There was, however, no gesture forthcoming from Great Britain ; nor recognition on her part of the peculiar position of this country and of her duty—a very clear and explicit duty—to establish National Government in the country, if she wanted India to throw in all her resources on the side of England and the British Empire. I know that some of the publicists have even begun to challenge the word ' bondage ', I used with regard to this country. That India is in bondage for the last 150 years cannot be challenged by any one who knows the correct English word and who knows the connotation and interpretation of political terms and political conditions. I should like to know what is her condition then if it cannot be considered as one of bondage. What is it that the Congress and so many different political organisations are fighting for, if it is not for freedom from the chains which encircle India ? It is not only the Congress, but also the Muslim League, the commercial community, the Liberals and politicians of all shades of opinion, who have been pressing on the attention of the British Government the extreme necessity of establishing a National Government in order to enable her to contribute her fullest quota to the war effort. The combined appeals, however, fell apparently on deaf ears, for the British Government proceeded on the lines of that fatuous expression of Sir Samuel Hoare " Let dogs bark, but the caravan will go on."

His Excellency the Viceroy interviewed some 52 leaders of different political views and creeds at about this time in 1940 but so far as one could see the only result was, there was a greater confusion which, perhaps, suited Mr. Amery, the Secretary of State for India, who put forth relentlessly the cry that India should unite before she would get anything. His Excellency in a statement which he issued refused to give any definition of the aims and objects of the Allied Nations with regard to the war. He had a splendid opportunity before him of coming to terms with this country and satisfying the natural aspirations of its people, but unfortunately the weakness, from which the Government of India and the British Government are suffering so far as India is concerned, unnerved him even then and he could go only to repeat the preamble of Lord Irwin that " the natural issue of India's progress as there contemplated was the attainment of Dominion Status." The Congress considered that the Viceroy's statement was an unequivocal reiteration of the old imperialistic policy, and the Liberals even considered that the Viceroy's statement could not but be deemed unsatisfactory. Wholesale arrests of leaders took place after this, going to show how the Indian bureaucracy like the Bourbons, had learnt nothing and forgotten nothing. It showed entire bankruptcy of statesmanship that, while the war was on, the very leaders who could deliver the goods were clapped

in jail and were kept there for about one year. Was this a step calculated to win over India's classes and masses ? Some better sense seems to have prevailed then, perhaps under the influence of the U.S.A. and there was a general jail delivery and long-distance negotiations again began, perhaps, through some common friends. It was expected that with all the eminent leaders out of jail, means would be found to have a pact between Great Britain and India which would ensure a permanent friendship based upon mutual goodwill. It was a psychological opportunity, but, I am afraid, Great Britain does not understand the psychology of subject-nations, and an opportunity was again allowed to slip by without bringing India nearer Great Britain.

Then came the announcement of the Cripps' Mission, and high hopes were raised in the hearts of all, that better days for India had come and that Great Britain would redeem her promises and that India would be declared a free country at once. Sir Stafford Cripps was deemed to be a friend of India, as he was a friend of democracy and freedom. He was the proverbial dove-of-peace ; but unfortunately the tragedy which has dogged the footsteps of Indo-British relations manifested itself here also. Great Britain and British Statesmen have never been able to revive, in their relations *vis-a-vis* India, the spirit which animated Sir Henry Bannermann, the then Prime Minister of England, who had the bold imagination and daring statesmanship to give all that they wanted and even more to his erstwhile defeated enemies, the South African Dutch, the result being that the Union of South Africa has remained loyal and devoted to the cause of the British Empire even now. Practically all the Indian leaders welcomed the Mission of Sir Stafford Cripps. Unfortunately, the besetting sin of British Imperialism, viz : want of trust and confidence in the Indian people and the dominance of British vested interests were manifested even with regard to this mission. Indian leaders placed, and rightly so, chief emphasis upon Cabinet responsibility and full recognition being given to the Defence portfolio. It was on these two issues that the mission broke down. Either Sir Stafford Cripps had his wings clipped even before he started from England or he himself had not got that courageous statesmanship which alone could settle such international problems and win over the hearts of big nations. The situation thus became much worse than what existed before the advent of Sir Stafford Cripps, and India and England have again been drifting apart. I must here refer also to the part played by Col. Johnson and a few American friends, as also Marshal and Madam Chiang Kai-Shek, with regard to the settlement of the Indian problem. So far as the reports go, the efforts of these representatives of friendly foreign powers were in favour of this country and sympathetic ; but evidently the bureaucracy had its say and, as is usual in

this land, the bureaucracy's say was disastrous. Even now, while the enemies are knocking at the gates, the Government of India tolerated abuses of the type which were practised with rgard to Indian evacuees from Burma, Malaya, etc. and would not give any redress. Similarly, the Government of India set up an iron wall of sheer negation to the demands put forward by the Indian leaders ; and the result was that again another golden opportunity was lost for getting a free and independent India wholly to the side of the Allied Nations.

I have taken you through all these painful details, as I see that a vituperative compaign has been set up as a propaganda, both in England and America, and even in this country, against Mahatma Gandhi, Pandit Jawaharlal Nehru and other revered leaders of this country and the Congress itself. Surely, it is the limit when even a Minister of State goes to the length of calling Mahatmaji a blackmailer ! Mahatma Gandhi has proved to be the best friend of the British and is accredited as the leader of the Indian people. These Ministers of State and certain leaders of the National War Front forget that they are not going to capture the hearts of the Indian people by abusing their trusted leaders.

Some precious time was lost and allowed to slip by after the failure of the Cripps' Mission. There was no necessity for taking a vow and a pledge that no further negotiations would begin unless the Indians themselves wanted to resume the negotiations and were united in their demands. His Excellency the Viceroy, however, afterwards expanded the Executive Council, as it is called. It was no longer a National Government, but an expanded Council. It was a National Government which the Indian leaders wanted at the Centre, and it was because the Cripps' proposals did not give them such a National Government that the negotiations broke down. What we are now given is an expanded Council and, as we mentioned in our Press statement on this question, it was a cruel joke even to propose such a measure. The situation is becoming graver day by day; and yet all that the Government of India can do is to give a snub and show a cold shoulder to the Indian leaders and to announce the formation of an expanded Council, by appointing a few additional people, who may be intelligent and intellectual, but who cannot deliver the goods and who have no sanctions behind. I cannot help reiterating here that the appointment of a non-official European in charge of War Transport portfolio was an insult added to injury. I quoted the words of the late Sir Ibrahim Rahimtoola in that statement : " Give me power to manipulate rates and freights and I shall bring Swaraj in no time " ; and an Anglo-Indian paper of Calcutta had some sneer about it. There is, however, a stronger quotation, as expressing the view of the late Sir Ibrahim now available and I give it below :—

"The insistent demand of all political parties for Swaraj may be explained as the necessary development of modern times, but it is also due to the extreme dissatisfaction, which prevails amongst the people of this country, in regard to the economic and financial policy pursued by Britain during the recent years which has brought down the once one of the richest countries in the world to a state of extreme poverty."

This is the history, Gentlemen, of the last three years, a sad record, you will admit, of the sins of omission and commission of the Government of India and the British Government. Even now, it is not too late, and the negotiations can be started from the point at which Sir Stafford Cripps left them. If a truly National Government is immediately established, and if an assurance is given by the United Nations that, immediately after the war, India will be declared a free nation, the leaders of all shades of political opinion in the country are sure to hold forth their hands in response. The situation at present is fraught with grave danger to India, Great Britain and the United Nations ; and no questions of false prestige, either on the part of Government or the political parties, should stand in the way of a satisfactory settlement, which alone will enable the country to put forth maximum efforts which can ward off foreign aggression and also assure ultimate victory for the Allied cause. If,—God forbid,—such a settlement is not reached, the consequences will be disastrous to both the countries, and the responsibility for the same will lie on the shoulders of the British Government.

I cannot help referring to the statement made only last week by Mr. Amery. It is a great tragedy, both for England and India, that we have as the Secretary of State for India a man like Mr. Amery, who is evidently the least fitted to appreciate the seriousness of the present situation and to throw oil on troubled waters. He utters all sorts of threats to this country and to its principal political party and misleads the British people, as well as the others, with regard to the exact nature of the demand of the Congress. The Congress has not ignored, as he says, the offer of Sir Stafford Cripps. The Congress leaders gave their fullest and deepest consideration to that offer and would have accepted it but for two main features, to which I have referred in the previous portion of my speech. It shows the temper and the attitude of some of the leading Britishers that there are people still both in the House of Commons and the House of Lords who would not proceed even one step to satisfy the demands and claims of Indians. In fact, even now, British commerce, and British commerce alone, obsesses their minds. I am glad, however, to note one thing and that is the Duke of Devonshire, the Under-Secretary of State for India,

replying to all this selfish cry of vested interests, emphasised that

> " in India we had passed from the conception of tutelage to that of free and frank partnership," and that
>
> " guarantees and safeguards were incompatible with equal partnership."

If the European commercial community and the European Civil Service will be animated by this spirit, it will go a long way towards reconciliation and appeasement of this country.

Food Problem

The present emergency of the war has manifested itself specially in the disturbance it has been responsible for in the foodstuffs markets, and both these and the general consuming public have had to suffer from the same. No one can expect that, while this world war has proved a factor of great disturbance specially with regard to the necessities of life everywhere, we alone can remain unaffected. You know very well that this war differs from the previous wars in the history of the world by its affecting the world and his wife behind the trenches. It is this characteristic which has made it one of the cruellest of the wars. Men, women and children, far behind the fighting lines, are as much, and perhaps sometimes more, exposed than the members of the fighting forces themselves. One of the dangers is aerial bombing ; the other great danger is the economic plight of the citizens of different countries. All the necessities of life have gone up tremendously in prices, and the Governments of different countries are compelled to put controls practically on all such necessities of life, as otherwise they are afraid, there might be abnormal profiteering, freezing of the stocks, monopolising and what not. The Government of India have adopted several such measures for this country also. Wheat, which is the staple food of this country, soared up in prices and a severe scarcity was felt in several wheat-eating provinces. While I cannot absolve Government entirely from the responsibility for the situation thus created, I must say that several merchants, particularly wholesale merchants themselves, were also no less responsible. Government were responsible, because they allowed exports to some extent and because their transport system broke down, and also because they did not take steps in time. They appointed a Controller for Wheat, who has controlled it by fixing prices of wheat. Similarly, sugar also became scarce, though there were vast stocks in the country, and there was no reason why any scarcity should have been felt at all. In this case, I should say the same causes operated. The shortage of transport operated against carrying of stocks to the affected parts and, added to the shortage of railway wagons, there was rationing of petrol,

which throttled the road transport which otherwise would have met the ordinary needs of the country. The wholesalers and, perhaps, some individuals, who wanted to invest their spare cash and who had nothing to do with the sugar trade at all, were also responsible by freezing large stocks. The instinct to make profits is natural, but in critical times like these, profiteering is unpardonable and deserves the greatest condemnation. A Sugar Controller was appointed, and the prices for sugar were fixed. The Government of Bombay have eased the situation in the City at least by the measures they have taken ; but the districts are still badly served, and there is a great scarcity of sugar even in large towns, which naturally causes unnecessary sufferings to the consuming public. I hope that Government will at once rush the sugar stocks in order to remove the scarcity of sugar and safeguard the consumers against the needless harassment and inconvenience.

It once appeared as if rice would not give us trouble ; but, soon after the fall of Burma, rice also became a commodity which was threatened with scarcity. Even now there is scarcity of rice ; I may say that the situation is, perhaps, rather more serious at present than in the case of any other commodity. Rice is one of the most essential articles of food with the Indian public, and it is necessary that arrangements should be made for the supply of rice and jowar not only in the City of Bombay, but in the Deccan and Gujerat. The Government of Madras have placed a few thousand tons at the disposal of Bombay ; but this will not suffice. Prices for rice are also controlled ; but what is mainly required is that there must be no freezing of stocks and no profiteering.

A very acute emergency has arisen with regard to kerosene, and the pictures which we see in the City at present of queues of four hundred and five hundred and even more people waiting for hours for their quarter gallon of kerosene, are indeed most tragic. There is scarcity of other oils also ; but kerosene is playing a very large part as cheap and economic fuel and is used for lighting purposes in the daily economy of even lower-middle class and poorer classes. I consider it my duty, as your Committee have also done, to give a note of warning to Government that they should try to remedy the situation by all means in their power. How this sudden shortage of kerosene has come about, we do not know, though we may guess the reasons ; but it is the obvious duty of the Oil Companies and Government to make the supplies possible and at least to regulate them in such a manner that there may not be this heart-rending situation as exists today. I would also appeal to the richer class of people, those who use electricity, gas, etc., not to use kerosene, as they are taking away so much kerosene which would otherwise be available for the poorer classes. There are apprehensions, already, that we may suffer a similar scarcity

of matches, of salt, of paper as also certain medicines. If so, Government should seize time by forelock and begin considering the situation and prepare schemes from now in order to avert a general shortage.

The acuteness in the situation regarding foodstuffs is due not so much to the scarcity in production or failure of crops as due to the difficulties in securing supplies from the producing centres to the consuming ends. The wagon position, notwithstanding all the efforts, both official and non-official, instead of showing any signs of improvement, is definitely deteriorating. This is explained mainly by the fact that, both on account of increased military movements and on account of increased demand for trade and industry, the Railways have reached the scarcity point in regard to the available supply of wagons and locomotives. Government should see that more petrol is made available in order to utilise the Road transport to its fullest capacity for relieving scarcity. A possible direction of immediate relief is attempts to divert a portion of the rail traffic in food grains from the supply centres, e.g., wheat from Karachi or rice from Madras, by sea-route. The chief difficulty in the way of the use of sea-transport for this purpose is understood to be the heavy rate of War Risk Insurance premium and the consequent high incidence of transport and overhead charges. Government should undertake to bear the additional expenditure on account of the War Risk Insurance premium themselves, so as to facilitate movement of food grains by this channel.

I began by saying that we could not expect to avoid and steer clear of certain inconveniences as also certain miseries ; but it is the obvious duty of Government, and of the business community, to see that the consuming public is not unduly harassed and inconvenienced by the absence, or the extraordinary prices, of the necessities of life. The consuming public are now practically soldiers in the front line, and all these necessities of life, therefore, should be considered as munitions of war, as your Committee in the very beginning of the war emphasised. If the war has to be fought successfully and the home front has to be safeguarded, as it has to be, we cannot allow any mismanagement about articles of food and articles like kerosene and other oils and cannot allow the transport system to break down. Both the railway and road transport must be kept up by all means in the power of Government.

You all know, Gentlemen, that the public are at present exhorted to curtail their travel and that one of the reasons given by Government for the shortage of foodstuffs and other necessities of life is shortage of wagons and engines. One would expect under the circumstances that all unnecessary travel would be discouraged by the Railways ; and yet the G.I.P. Railway is going to run two extra trains which will be

a euphemism for the race specials, though they may not be called so. Is it not egregious that such trains sould be run when the public are suffering otherwise from a shortage of wagons and engines ?

Speech of Mr. Haridas Madhavdas, Vice-President, Indian Merchants' Chamber, at the Second Quarterly General Meeting of the Chamber, on 4th August, 1942.

MR. PRESIDENT AND GENTLEMEN,

The President, in his speech, has dealt with matters, which are uppermost in our minds. I will refer, briefly, to some other questions which have been also engaging our attention during the last quarter.

THE AMERICAN TECHNICAL MISSION

A summary of the recommendations made by the American Technical Mission in its preliminary report on the question of the organisation of war production in India has been published. Unfortunately, the request of the commercial community for publishing the report in full, excluding information involving military secrets, has not been accepted by Government. We are unable to appreciate the justification for this policy of hush-hush. Thus, the country is being denied the opportunity of having a more correct and detailed appreciation of the recommendations and the issues involved in the same. It is, however, possible to gather from such information as has been made public that the organisation of production in this country is far from being complete and that the war effort has to be considerably gingered up, in order to secure to the allied nations maximum advantages from the capacity of the country, both actual and potential. The power resources available, according to the report, have not been tapped to the full ; the manpower of the country both for purposes of recruitment and for skilful employment can be exploited with greater advantage. In short, the Mission recommends a better organisation, use of better tools and equipment and a basic change in the production technique. It is understood that on the basis of these recommendations, the Mission has advised the American Government to make available to India immediate facilities in the matter of equipment, machinery, etc. The Indian commercial community is not in a position to examine in detail the exact scope and implications of the various recommendations for the simple reason that no opportunity has been given for a detailed study of the report. It is, however, obvious that the recommendations have taken into account only the question of maximising war production under the existing circumstances, and as such, the proposals seem to have been conceived from a short-range policy of immediate possibilities.

Thus, for instance, the Ammerican Mission wishes us to concentrate in the matter of aircraft and ships " upon repairs rather than new construction "—a point of view, which cannot be shared by any one in this country. Acceleration of war production should, in our opinion, be a part of a planned programme of industrialisation, so that while supplying the immediate requirements necessitated by war, India could, at the same time, in times to come, be able to realise the long-cherished aspirations of being industrially self-sufficient. If Australia could during war time establish her own automobile and ship-building industries, there is no reason why the ground of expediency should be put forward in denying to this country facilities and opportunities for developing her essential and key industries. The activities of the Roger Mission in the country generated a feeling of mistrust that the authorities in planning their programme of production had in mind also the effects of any such policy on post-war conditions. If the same suspicion about the plans resulting from the recommendations of the Technical Mission were allowed to be created, there is the danger that the steps immediately proposed to be taken will not create any enthusiasm in the country.

India and Lease and Lend Aid

The position of India under the Lease and Lend arrangement and the exact nature of the obligations, present or future, which the country will have to incur on account of the assistance received from the American Government have aroused lately considerable interest in this country. At the time of the budget session of the Legislative Assembly this year the question was raised whether the cost of the materials supplied to India as Lend and Lease aid would be treated as in the nature of a loan and whether the same would have to be paid back in due course. The Finance Member had in his budget proposals taken the view that pending the determination of the precise obligations that supplies under the Lend and Lease would impose upon the Government of this country, it would be prudent for the time being to account for these stores in the same way as though they had been obtained for cash purchase and accordingly he had made the necessary provision in the budget. Members of the legislature gave expression to the opinion that if ultimately the Lease and Lend aid was considered free, the financial burden imposed on the people by treating the cost of the same as a debt would be unjustified and that, therefore, the burden of immediate taxation was being influenced by this uncertain factor. Certain developments, however, point to the possibility of the Lend and Lease assistance being treated as a free gift. Thus President Roosevelt in his 5th Lease and Lend report to the Congress in the U.S.A. is reported to have observed that " no financial reckoning will take place at the

end of this war in return for the Lend and Lease aid." At the same time it was also indicated that reciprocal services and facilities given by India in the interests of the common defence of the allies would perhaps be deemed as a *quid pro quo* for Lease and Lend obligations. The position, however, needs to be further clarified and it is the duty of the Government of India to ascertain both from the British Government and from the Government of the U.S.A. the precise obligations, present as well as future, which Lend and Lease assistance will impose upon India.

In the meanwhile, great interest has been evinced in this country in regard to the exact scope and implications of the Anglo-American Trade Agreement which was entered into between His Majesty's Government and the Government of the U.S.A. in February last and which is said to embody the principles applying to mutual aid in the prosecution of the war. The preamble of the agreement does not conceal the fact that the arrangements thereunder are intended to be in the nature of a *quid pro quo* which the U.K. is to give to the U.S.A. for the benefits and assistance received by the former, particularly in the shape of Lease and Lend help. Although the Agreement is between these two Governments, even on a casual reading, it would be obvious to anyone that the carrying out of the obligations thereunder would affect intimately not only the two countries, but would involve the world and the international economic policy in the post-war period. Thus Article 7 of the agreement which is by far the most important article *inter alia* provides that the signatories bind themselves to promote " mutually advantageous economic relations between them and the betterment of worldwide economic relations." It is added that " to that end they shall include provision for agreed action by the U.S.A. and the U.K., open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods which are the material foundations of the liberty and welfare of all peoples ; to the elimination of all forms of discriminatory treatment in the international commerce and to the reduction of tariffs and other trade barriers."

We are immediately concerned as to how far the commitments under this policy are going to affect the future fiscal and economic freedom of India. India's right to devise a tariff and fiscal policy suitable to her own requirements and taking into account her own industrial backwardness will be, it is hoped, not prejudiced by any such commitments made by the British Government at this stage. The principle of elimination of trade barriers may, in its general objective, be unexceptionable, but to a backward country like India the question has to be viewed from the actual realities of the

situation. It may be necesasry, however, for the future Government of India to undertake and pursue a more dynamic policy of industrialisation in this country, and in that connection the recognised instrument of the tariff wall will have to be more freely and substantially used. Nationalist India cannot therefore, in advance, compromise her future freedom in return for monetary help in the form of a Lend and Lease Assistance by the U.S.A. either to Great Britain or to this country. This point has to be made clear beyond the shadow of a doubt and it is hoped that in view of the public comments that this provision in the agreement has evoked in this country, both the U.S.A. and the British Government will consider the advisability of making a public announcement that India is not bound by the provisions of the Anglo-American Agreement.

Labour Legislation During War-time

The industrial community of India have not been slow to recognise that a satisfied and contented labour is the *sine qua non* for creating conditions favourable to industrial development. They have always shown their willingness to give a fair deal to the workers employed in industry. The grant of generous scales of dearness allowances by the different industries during the present period to meet the increased cost of living consequent upon conditions created by war is an index of the anxiety of the employers to keep labour satisfied. At the same time, it will not be out of place to emphasise that the burdens imposed upon industry on account of social and ameliorative measures should be strictly limited to the capacity of the industries concerned to bear the same. It is from this standpoint that Indian employers wish to view the proposals for labour legislation which the Government of India have recently circulated for eliciting public opinion. These proposals include the grant of holidays with pay for industrial workers, compulsory recognition of trade unions, provident fund facilities, etc. The principles underlying all these measures may be sound ; but, as the Government of India themselves in a communication addressed to the International Labour Office in connection with a similar reference emanating from that organisation observed, " every sound principle of labour welfare is not capable of satisfactory general enforcement by legislative enactment. There is another very important factor which has to be taken into account in dealing with these matters at this juncture. Industrial conditions during the war are necessarily of an abnormal character and measures which are more or less of a permanent nature should be discussed and considered in normal times with reference to the conditions of the industries concerned in such times. These matters, therefore, should be held over till the termination of the war, when normal work-

ing conditions would have been restored. It is also not desirable to consider piecemeal proposals for labour reform, as by such a procedure employers would not be in a position to know the extent of the cumulative burden they would ultimately be called upon to bear on account of the cost of all such schemes. All measures should be dealt with together, so that the substantive steps proposed to be taken may all be adjusted to the normal financial capacity of the industries concerned in ordinary times. There is also another important consideration which has to be borne in mind, in dealing with this matter. Under the Government of India Act, subjects like legislation relating to labour welfare are placed on the concurrent legislative List, so that, both the Provincial as well as the Central legislature have power to enact legislation in respect of matters relating to labour welfare. This has already led to diversity in labour standards as between the different provinces. Added to this, there is the problem presented by the Indian States, where labour standards are admittedly low. The importance of securing uniformity in matters relating to labour legislation throughout geographical India has before now been stressed, and when fresh proposals are under discussion, it will not be out of place to emphasise this aspect. By consultation and agreement between the different provinces and the authorities of the Indian States, the Central Government should promote an all-India uniformity in matters relating to labour welfare, so that the factor of unequal competition caused by differential standards as between one province or unit and the others would not be allowed to impose a handicap on any industry situated in a province, which has been more progressive in its labour policy. While, therefore, the industrial and commercial community of India is not less anxious to secure the improvement of the conditions of the working classes of the country, they would request Government to bear in mind all these factors and to take into account the practical realities of the situation. It also needs to be borne in mind that the burdens sought to be imposed are not such as would adversely affect the position of the industries in normal times when they have to face free and open competition from outside sources.

New Hedge Contract for Indian Cotton

A change of far-reaching importance has occurred during the last month in the cotton trade with which some of you, who trade in cotton, are vitally concerned. It is the revision of the old Hedge Contracts. The revised contract now functioning makes the short and fair staple cotton, viz. Broach, Oomra and Bengal cottons non-tenderable which growths were tenderable under one or the other of the old contracts. The trade realises too well by now that such growths tenderable under the old contracts were mainly traded for export. The war

having deprived India of these export markets in cotton, the necessity of continuing the old contracts had ceased and the cotton brought into Bombay thereunder would have been a burden on the market. We have good reason to congratulate the East India Cotton Association Ltd. and the Government of Bombay for devising the new Hedge Contract whereunder fine Jarilla cotton of staple length 3/4 inches is taken as the basis. This revision should mark an important stage in the evolution of cotton business as the new Hedge Contract takes into account the increasing production of staple cotton and links such staple growth chiefly with the needs of the textile industry which has begun to consume Indian cotton in large quantities. This change would have been made in course of time ; only the stress of war expedited it on account of transportation difficulties of the unwanted cotton growths which were tenderable under the old contracts. It would not be true to say that the new contract would meet the needs of the cotton trade entirely ; but so much can be affirmed that the contract will be useful during the period of the war which has necessitated the evolution of the same. The trade was at one time hesitant to accept a revision which might make the contract either a seller's contract or a buyer's contract. This apprehension has, however, been removed by the scheme of discount for all growths tenderable under this contract except the product of Jarilla seed and similar strains. Your Committee have fully deliberated upon the provisions of the new contract and commend to the trade to work it in the spirit in which it has been devised. Your Chamber has always advocated checks and restraints in business whereby unnatural conditions such as corners, bear raids, raising of prices by pooling arrangements, etc., would be impossible to operate. It is a fundamental of *bona fide* business that the buyer and the seller should have equal opportunities and no one of them should suffer by a weightage in favour of one or the other. This new Hedge Contract and the provisions embodying the same make it well nigh impossible to create conditions of corners and bear raids. The relevant provisions in respect of these checks and restraints should, in no circumstances, be discontinued in any revision of this contract after the war.

Relief to Indian Evacuees

When we hear the harrowing tales of Indian evacuees, businessmen and others, who have come trekking all the way from Burma, Malaya and other territories now under enemy occupation, our hearts ache at the heavy calamity that has befallen them. Their lot was doubly unfortuante when after having escaped from hostile and dangerous elements they encountered in this country a situation which was almost unsympathetic and unhelpful. It is the duty of Government to

give all the help that they can and to encourage non-official efforts to render all possible aid to our nationals who have left their valuable goods and properties and all their belongings to the care of the enemy. Central and Provincial Governments, though not very vigilant in the beginning, have now evolved schemes for relief, but having regard to the large number of evacuees taking shelter in India and also the enormous volume of work connected with relief measures, mere official efforts would not fetch the desired results. It is, therefore, gratifying to note that non-official efforts are also being made to help the evacuees. The Federation of Indian Chambers of Commerce and Industry have appointed a Committee called the Central Indian Evacuees Relief Committee to afford relief and promote the welfare of Indian evacuees. In order to assist the Central Committee in their work, it was suggested that an Evacuees Relief Committee for Bombay should be formed. Accordingly, our Chamber in co-operation with other commercial bodies in Bombay has formed a strong representative Committee. The Central Committee is at present maintaining a register of losses sustained by Indians. Our Chamber is also collecting this information and claims submitted through our office amount to over nine lakhs of rupees. This gives us an idea about the magnitude of losses suffered by our nationals. Satisfactory solution of questions relating to the claims of Indian Merchants in Burma, Malaya, etc., in respect of goods supplied to the respective Governments must be sought out. Important questions like re-employment of Indians evacuated from those territories and obtaining settlement of claims in respect of pensions, gratuities, etc., must be tackled immediately. As you are aware, there are at present two Relief Committees functioning in Bombay, one appointed by the Mayor of Bombay, which looks after subsistence allowance and welfare work in connection with the Indian evacuees, and the other appointed by the Government of Bombay to help the evacuees in the matter of employment. It is hoped that all these Relief Committees will work in co-ordination with each other in the stupendous task as indicated above of affording relief to our unfortunate countrymen.

While dwelling on the question of employment, I have to refer to the reports that appointments involving high responsibility and substantial remuneration are being given to non-Indian Evacuees, thereby depriving Indian Evacuees of the opportunities available to them in this country. While we sympathise with the miserable plight of all persons taking refuge in this country, we feel it our duty to bring to the notice of the authorities that it is the sons of the soil who have the first claim on the Government of the country.

Speech of Mr. J. C. Setalvad, President, Indian Merchants' Chamber, Bombay, at the Third Quarterly General Meeting of the Chamber, on 4th November, 1942.

GENTLEMEN,

We are meeting today for the Third Quarterly General Meeting of the Chamber.

POLITICAL SITUATION

There has not been any great change in the political situation, since we met last. There is, of course, a change, for, when we met on August 4 the All India Congress Committee were still there, and there was not the final rupture between the Government and the Congress that took place on the 9th August. Despite this, when we met last, practically the atmosphere was full of grave portents ; and nobody thought that the crisis would be averted. From August 9 onwards, the internal political atmosphere is as bad as it can be, much worse perhaps than it was in 1921, 1930 and 1932. The issue of the Ordinances and a policy of repression have upset the people's minds, and where there should have been, looking to the international war situation, entire peace, amity, concord and co-operation between the British Government and the Indian people, there is no small bitterness. Your Committee held, on the 17th August, a meeting of the different Associations, affiliated to the Chamber, in which certain other important Associations like the East India Cotton Association, the Marwari Chamber of Commerce, the Native Shares and Stock Brokers' Association, etc., took part ; and addressed His Excellency the Viceroy and His Excellency the Governor of Bombay, with regard to the rule by Ordinances, requesting amenities of life for our revered leaders, who had been arrested and placed under detention. Your Committee also convened a Special General Meeting of the members of the Chamber on 30th September, and passed a Resolution deploring the present impasse and urging an immediate settlement. Three months have now elapsed since that fateful day ; and yet there is no sign whatsoever of any inclination on the part of Government to come to settlement, and to stop this fratricidal war, if I may say so. On the contrary, every day which passes sees a more and more stiffening of the attitude of the powers-that-be. Mr. Amery's recent speeches are what we have come to expect from him. Evidently, he considers that, being in the position in which he is, he can, with impunity, insult and humiliate Indian people and their leaders. He, and some of his henchmen, whether in England or in India, argue that the Congress must first withdraw the policy of violence before negotiations can be started with it. Your Committee, both in their communications and resolutions condemned the manifestations of violence wherever they may have been.

Similarly, these manifestations have been condemned in many parts of the country. How can one expect, however, the Congress leaders to express their strong sense of condemnation of these acts of violence, so long as they are either behind prison bars or in detention camps ? The acts of violence have not got any approval from the country or the Congress. On the one hand, you shut up people, who have influence with their fellow-countrymen—men like Gandhiji who are wedded to non-violence, men like Pandit Jawaharlal Nehru who were out and out anti-axis and prepared to fight the aggressors—and, on the other, all the blame and responsibility for whatever is happening in the country is placed on their shoulders ! Not only this, but a man like His Highness the Jam Saheb, taken to England to be a member of the War Cabinet to represent India thereon, indulges in wild, unfounded and misleading statements about the Indian political leaders. His Highness has rendered a great disservice to his motherland, whose representative he is supposed to be, to the Princely Order to which he belongs, and to the cause of the United Nations, by his latest statement that the Congress leaders were practically in favour of welcoming the Japs. No better reply can be given to His Highness than the statement recently made in the Council of State by Pandit Hirdaya Nath Kunzru, a disciple of the late Mr. Gokhale, and the head of the Servants of India Society, that he was not a Congressman, nor did he agree with the Congress policy ; but, notwithstanding this, he repudiated the allegation that the object of the Congress was to invite Japan to India. If it comes to that, we shall prefer to go by the word of Pandit Kunzru to that of the Jam Saheb. I must say that the Congress cannot be crushed, but such anti-Congress campaign will leave no friends in India to the British.

It appears from all this, as if it is no wonder if the Indian people have begun to feel doubts about the assurances given by the representatives of the British Government regarding India's freedom and independence. In fact, now these assurances also have begun to be whittled down. Mr. Amery distinctly said ' no ' to an interpellation in the House of Commons, when asked whether the Finance and Home portfolios would be transferred to Indians, and followed it up by saying that no competent Indians were available for these posts—a statement which has fully justified the Indian suspicion about British assurances, I referred to just now. Even the Cabinet system, in the strict sense of the word, is not to be introduced ; it is only going to be an expanded Executive Council, and that too, with all the key portfolios in non-Indian hands. Indian business people, in all parts of the country, have been trying their level best to get about some settlement ; but we are met with either a stony silence or speeches of Mr. Amery. Surely, we do not want that the country should continue to remain in a

state of such bitterness and restlessness, while every day the international war situation points to an increasing danger for this country. It is not only that our big coastlines and our land frontiers will have to be guarded and fortified, but everywhere throughout the country, there will have to be set up a strong front in the shape of an indomitable spirit of the people for Defence and co-operation for all Civil Defence measures. This brings us back to our old position, and Government cannot afford, nor can the people for the matter of that, to go on with the present situation any longer. Mr. Arthur Moore said very rightly, recently, that what the British public had not been told was that Indian differences were the excuse but not the cause of Britain's refusal to transfer power. He has been sounding a tocsin of alarm, since a long time past. He has insisted that it is of the utmost importance to give gracefully and quickly what must be given, because it cannot be withheld. He is a man of large and far-sighted vision, and is not of the tribe of Atlees and Amerys, and says that even now all can be changed and that he can answer for Mahatmaji, if Britain will declare her willingness to transfer power now, he will call off non-co-operation. Sir George Schuster, an ex-Finance Member of the Government of India, urges emphatically that the old ritual of stiff-necked officialism is now out of date and that in the live field of politics it is the Indian Ministers that should hold the platform. He also regrets that in the Viceroy's Council the two key portfolios of Home and Finance are still held by British officials. The British Government cannot mislead any Indians, excepting perhaps those who conspire with them in misleading world opinion about India.

There was recently a debate in the House of Lords on the Indian question, and the Duke of Devonshire, the Under-Secretary of State for India, followed in the wake of Mr. Amery, to stress the unfortunate reactionary attitude of the present British Government regarding India's constitutional advance. He still harps upon the myth initiated by Messrs. Churchill and Amery, that the non-Congress elements greatly outnumbered the Congress, and that to hand over the Government of India to the Congress would have led only to chaos. At the same time, he had to admit that to form a representative Government from other Indian parties without the Congress would not have provided a satisfactory solution. It goes to show the present mentality of the British Cabinet that the Duke of Devonshire resents speeches and writings of people, who are far-sighted and statesmanlike enough, to advise the British Government to come to a settlement with the Congress. He plainly says that there should be no barracking, as he terms it, of the British Government and the Government of India from outside critics or from inside critics, whether they be " prelates or politicians." If the British Government had been wise enough, they

would have welcomed the efforts of both the outside and inside critics for bringing about a solution of the present impasse ; but, if not the whole Cabinet, certain elements in it, have become arrogant enough to think they will first smash the Congress and so the Indian people and then think of fighting the foreign aggressors. Such a responsible official as the Duke of Devonshire ridicules the statements made in the press that Britain cannot take an offensive against Japan in Burma with a hostile India behind her. He even considers the statesmanlike statement of the " Times " that India's war efforts could be multiplied ten times if the political difficulties were removed, as *demonstrably and ludicrously false*. What can be expected of these individuals, who consider that a war can be fought, and successfully fought, on behalf of India, with India in sulks !

Home Front and Civil Defence

India has a big coastline as also a fairly big land frontier. Situated as we are the task of manning the coastline as well as the land frontiers rests with Government. It is not our fault. We have been asking for this great responsibility, since a long time past. Government, however, have no trust and confidence in us. However, it is no use now repeating this well-known truism. We can at least, however, be entrusted with manning the Home Front and Civil Defence. The Civil Defence comprises Transport and communications, A.R.P. measures, Food supply, etc. We have been crying ourselves hoarse over the transport problem since, practically, the war began. Our difficulties with regard to food supplies, with regard to our trade movements, even the war supplies, production of industries, have all been there because the transport is not there. Violence and sabotage, which have come in the way of transport, are there only since the last three months ; but even long before that the transport had broken down, interfering seriously with the movements of essential necessities of life, like foodstuffs, and essentials of the war, like industrial production, raw materials suitable for war purposes, etc. The transport, therefore, must be set right. It is because of this great consideration that we feel that Government are acting wrongly and short-sightedly in having the Transport Boards consist of purely official personnel. We once urged on their attention the great desirability of having non-officials also on these Transport Boards ; and we should again like to draw the attention of Government that unless a non-official element is introduced on the Transport Board no great lee-way will be made to the solution of the transport problem of the country. The Government of Bombay have set up recently an Advisory Panel in connection with the Transport Board. While welcoming this step, I still insist on the real and urgent necessity

of having non-official elements not merely in the capacity of advisers but full-fledged members of the Transport Board itself. We have always considered foodstuffs as munitions of war, and naturally so, because now householders hundreds of miles away from the trenches, the coastlines and the land frontiers, are as much fighting units as the soldiers and sailors far away. If you want to maintain intact these Home Guards and preserve the spirit of the people, you have to feed them. You may not be able to give them luxuries ; but you have to give them necessaries of life. It was with this view in mind that the Grow-More-Food campaign was started some time back. This campaign will have no value and all the trouble taken upon it will be lost if we cannot get foodstuffs adequately, if we cannot distribute food properly and if we cannot regulate and control their prices properly. We have to drive away from our minds the idea that we are living in normal times. We are living in war times, and we shall have to accustom ourselves to several things, to which we were never accustomed all our lives. People were shocked when they were told that they would get only a small quantity of kerosene, and still more shocked when the supply of sugar began to be attenuated. There were big queues to be seen in the City only a short while back for getting their quota of kerosene, sugar, rice, etc. Such queues themselves showed that something was wrong and the sooner they disappeared entirely the better. I must say, and say so with great pleasure, that the situation has taken a turn for the better since some time past, and people get at least fairly satisfactory quantities of these necessaries of life. This should not be, however, still an ideal state. What is mainly required to be done is that the quota for the grain dealers should be largely increased, as it is hopeless to expect them to work on a quota of one or two bags of Jowari, and Rice per week. If Government keep on supplies properly, to the grain dealers, the trade will flow in its usual channels and there will be no inconvenience or harassment or shortage felt. While the Government grain shops are welcome, they cannot naturally take the place of the 4,000 grain dealers in the City. The public will not mind these restrictions, provided they are given the genuine and right stuff and that too regularly and at proper prices. The trade of the City has always risen to the occasion and will, this time also, do so. In short, our business people are at present put to the test for feeding the City in these times of emergency and crisis, and they will, I am sure, pass the test, as they have always done. All this means, however, a big problem, and Government should arrange for importation of enough foodstuffs and their equitable distribution.

I should like to refer to the unpardonable exports of essential foodstuffs to foreign countries, even though they be our neighbours, while our people here are suffering through

shortage, to the point of starvation. Take the example of Ceylon, to which a large quantity of rice has been sent and more is promised. This should not have been done, especially as Ceylon has always acted in no friendly manner towards India and the Indians. I should also like to urge a proper co-ordination between the Provinces with regard to the distribution of foodstuffs as want of co-ordination between the Provinces was behind the inequitable distribution and the shortage of sugar in certain Provinces.

Apportionment of Military Expenditure

Considerable interest has recently been aroused in the country in regard to the basis of allocation of the expenditure at present being incurred in India on account of defence as between this country and His Majesty's Government. The War Bill, as you all know, is mounting up. The normal expenditure on defence incurred by India before the war, excluding non-effective charges, may be put down at the basic figure of Rs. 36.77 crores. In 1940-41, the total expenditure on account of defence borne by India amounted to 73.61 crores ; in 1941-42, according to the revised estimates, India's share of the defence expenditure was placed at 102.45 crores, although the gross expenditure that year was estimated at 300 crores, of which the balance of nearly 200 crores was reported as falling to the share of His Majesty's Government. In 1942-43, the gross defence expenditure in India was budgetted at the colossal sum of 533 crores, of which 400 crores were to be recovered from His Majesty's Government, the share of India being thus 133 crores. Briefly, India's cost on account of defence expenditure has risen from the pre-war basic figure 36.77 crores to 133 crores in the year 1942-43. In the light, however, of the recent developments connected with the war, it is almost evident that this estimate would be considerably exceeded, and perhaps, India might be called upon to bear a much larger burden. This enhanced expenditure has been in part met by additional taxation imposed year after year. The taxation proposals contained in the 1940-41 budget were expected to yield in a full year about 7 crores ; the proposals of 1941-42 were to yield over 6.6 crores and the estimates for 1942-43 over 12 crores. As all these taxes are continuing, and the yield in most cases progressively increasing, the annual burden of new taxation, if the railway and postal surcharges are also included, may be put down on a conservative basis at Rs. 50 crores. With the economic distress now visible and the growing discontent in the country, the time has come for Government to take stock of the position and to examine, if India can afford to spend on her defence on the existing basis and if some re-adjustment in the basis of apportionment is not called for.

Under the Military Financial settlement between His Majesty's Government announced in 1940, India has to bear (1) a fixed annual sum representing the normal net effective cost of the army in India under peace-conditions plus (2) an additional amount to allow for the rise in prices plus (3) the cost of such war measures as can be regarded as purely Indian liabilities by reason of their having been undertaken by India in her own interests and (4) a lump sum payment of one crore of rupees towards the cost of maintaining India's external defence troops overseas. The amount by which the net annual defence expenditure incurred in India would exceed the aggregate of items 1 to 3 above, has to be recovered from His Majesty's Government. On the above basis, from the years 1939-40 to 1942-43, India has already been called upon to defray an *extra* expenditure of 167 crores as the cost of war measures which are to be regarded as purely Indian liabilities by reason of their having been taken in the interests of India. The term " War Measures in her own interests " is very vague. Particularly at a juncture like the present, when India has become a base of operations in *allied* war strategy, many an item incurred within the frontiers of the country would really be in the furtherance of the war strategy as a whole. Thus, is expenditure that is being incurred or that will be incurred within the frontiers of the country for recapturing Burma to be deemed as purely Indian liabilities undertaken " in the interests of this country " ? Again, is expenditure on defence preparations for the prevention of a Japanese invasion of this country exclusively a domestic problem ? These are questions which can be answered differently if looked at from different angles and India should have the confidence that these questions will be settled and determined in a manner which is just and fair to her. Under the existing structure of the Government of India, representatives of the Indian people have no control over the defence policy of the country ; nor have they the method of satisfying themselves that these issues are being settled in the best interests of the country and in a fair manner. The anxiety of the public, therefore, in emphasising the need for prior consultation with responsible Indian public opinion, before the terms of any revised settlement of allocation in regard to defence expenditure are agreed to, can be appreciated. Our fears are not merely imaginary. In the past, we have been saddled with expenditure incurred in campaigns and expeditions primarily undertaken on behalf of Great Britain, such as the Burma War, the Afghan War and the operations in the frontier. We realise that, as recent events have made India more vulnerable to external attacks, increased expenditure on defence, to a certain extent, is inevitable ; but, at the same time, it must be recognised that the capacity of the country should also be taken into consideration. It is all

very well to compare the defence expenditure for the current year of Rs. 370 crores in Australia with the Rs. 133 crores in India, implying thereby that having regard to the size of this country, the strength of the population, etc., India must be prepared to spend much more than Australia. The picture is not complete. On the other side, you must take into account the general economic conditions in the two countries. The *per capita* income in Australia is £98, almost the highest in the world, while in India the figure is less than £5. The economic and industrial development in Australia after the war started has been remarkably rapid. The country has all the major defence and key industries. She builds her own ships ; makes aeroplanes in appreciable numbers ; her automobile factories are buzzing with activity. We have been crying hoarse to be allowed to do all that but have been denied facilities for one reason or other. Even the modest request that the Indian public and the Indian Legislature should be taken into confidence before the terms of the new basis of apportionment are finally settled was not conceded by the Finance Member.

Speech of Mr. Haridas Madhavdas, Vice-President, at the Third Quarterly Meeting of the Indian Merchants' Chamber, Bombay, on 4th November, 1942.

MR. PRESIDENT AND GENTLEMEN,

The President has, in his speech, dealt with some of the important questions of the day. I will supplement the same with a few remarks on matters of topical interest.

WAR AND INDIAN FINANCE

The period of the war has been unique for the continuance of easy money conditions. The Reserve Bank rate, which was 3 per cent for many years before 1939, i.e., before the war, continues to remain at the same level. Increased trade demand for funds and increased expenditure on Government account during the period of the war, it was expected, would bring about a large scale demand for money and a consequent tightening in the money market. These expectations have, however, been belied. Funds have been in abundance throughout the period of the war, which is reflected in the low rates of interest obtaining, both for short-term and long-term borrowings. In the sphere of long-term borrowings, Government have been able to secure almost all their requirements of funds on a 3 per cent basis. The first Defence Loan, 3 per cent 1946, which was continued to be issued upto 25th January 1941, secured to Government more than 45 crores. For the second Defence Loan, which was of longer duration, viz. 1949-52, the total subscriptions amounted to over 50 crores. Besides, there were

the Defence Savings Certificates, Interest free bonds and the Defence Savings Bank deposits. From all these sources, Government were able to raise more than 117 crores before September 1942. In the sphere of short-term borrowings, the position has been equally comfortable. The Treasury Bill rate has been continuously sagging and in September 1942, it touched the record low level of 6 as. 6 ps. per cent. The call rate has remained round about quarter per cent for a long time and Banks are reluctant to take fixed deposits for 3 and 6 months. The following statement of the position of funds with schedule banks is interesting :—

	1-9-39 (Before War)	9-10-42
	(In crores of rupees)	
Demand Liabilities ...	134	318
Time Liabilities ...	102	101
Balances with the Reserve Bank ...	25	65
Advances ...	101	78
Bills Discounted ...	3½	1.6

It will be observed that the demand and time liabilities of the banks, or in other words the deposits made by the public with them, have increased by over 180 crores since the beginning of the war, against which advances made by banks have gone down by over 20 crores. These figures indicate that there is a plethora of idle money in the country awaiting to be tapped for remunerative employment. The trade demand for funds in the existing state of affairs is bound to be slack. The absence of any large-scale industrial flotations have stood in the way of a more advantageous use of all these funds.

Another important matter in the sphere of Indian Finance, which is exercising the minds of the public, is the colossal increase in the amount of currency in circulation and the repercussions thereof. On 23rd October 1942, notes in circulation amounted to over 512 crores as against 172 crores in September 1939. There has thus been an expansion in currency by over 340 crores. This is exclusive of the increase in rupee coins and rupee notes, as also in subsidiary coins. The aggregate expansion, therefore, taking all the items of currency into consideration is in the neighbourhood of 400 crores. Examining the position of our currency reserves, we find that as against notes in circulation of over 512 crores, the currency backing in sterling is over 325 crores. Thus, the major reserves is in sterling. We are also continuing to accumulate sterling at a very fast rate, which consequently results in a progressive increase in our note circulation. The utilisation of the sterling balances, and consequently the possibility of a re-adjustment in our position regarding currency, is a matter which is agitating

the public mind now and various suggestions have been made in this connection. There is also the problem of counteracting the effects of inflationary tendencies evident in the internal economy of the country. In all these matters public confidence has to be re-assured and to achieve that object, it is of paramount importance that the authorities should take the leaders of thought in the country into their confidence.

Income-tax Problems

We have been constant critics of the difficulties and deficiencies in the Incom-tax Law of the country and the administration thereof. With the frequent changes that are being made in the Income-tax and Excess Profits Tax laws of the country, it is natural that merchants are being confronted with many difficulties in regard to the interpretation of the various provisions and their application to actual cases in the course of assessment. You must have seen from the report for the last quarter, and those for the previous quarters, that your Committee and the Income-tax Sub-Committee of the Chamber have continued to be vigilant in this field and have represented to the authorities various difficulties and points of dispute which required to be adjusted. The departmental authorities, naturally, are very zealous in preserving the tax yield to the Treasury and as such, every concession or relief has, more or less, literally to be wrested from their hands. Even then, I am glad to acknowledge that the response from the Central Board of Revenue to some of our recent representations has been encouraging. They have agreed to certain concessions and reliefs which we suggested in the matter of the treatment of assets in enemy controlled areas, facilities regarding carry forward of unabsorbed depreciation, deficiency relief to successors on occasions of changes in partnership, allowances for loss of stock-in-trade due to enemy action, etc. The details of the demands made by us under these heads and the extent of the concessions given by Government have already been explained in the summary reports circulated to members. I am mentioning this only to draw pointed attention to the fact that our frequent representations and agitation in regard to matters relating to income-tax difficulties are having some effect and resulting in tangible advantage to the tax-payers generally. I must here acknowledge the good work that is being done by the expert members and lawyers who are so ably assisting our Income-tax Sub-Committee.

There is one major point relating to the structure and scheme of our income-tax, to which I would like to draw particular attention today. Under the Act, the appellate machinery primarily consists of the Appellate Assistant Commissioners and the Appellate Tribunal. The first appeal against the decisions of the income-tax officers has to go before the Appellate Assis-

tant Commissioners. These Assistant Commissioners are under the administrative control of the Central Board of Revenue. The Tribunal, till lately, was also in the same position ; but, in response to public representations, it was recently removed from the control of the Central Board and placed under the Legal Department of the Government of India. There is a feeling in the public mind that this combination of executive and judiciary functions is standing in the way of the public getting full justice from the appellate procedure and this has resulted in a consistent demand for keeping executive and judiciary functions separate, so that the judicial machinery may not have day-to-day contact with the executive half and be influenced by instructions or directions given in the executive sphere. We have made representations suggesting this reform more than once ; unfortunately, Government have not so far agreed to the same. In order to instil a sense of confidence in the public mind regarding the impartiality of the appellate machinery under the Income-tax Act, it is necessary that the first appellate authorities, viz. the Appellate Assistant Commissioners should be removed from the control of the Central Board of Revenue and the Finance Department and placed, along with the Appellate Tribunal, under the control of the Legal Department. This reform is overdue and when the next amendment of the Income-tax Act is taken in hand, we hope that this point will not be overlooked.

Merchandise Marks Act—Marking of Country of Origin

It was a common experience that goods manufactured in foreign countries were often put on the Indian market in such a manner as to obscure the country of origin and to pass them off as Indian manufactures. Such a practice was facilitated by the absence of any specific provision in the Indian Merchandise Marks Law, making it obligatory on all imported goods to contain an indication of the country of origin. When the Merchandise Marks Act was amended in 1941 we had pressed on the authorities the necessity for such a positive requirement for the marking of the country of origin. This suggestion was, unfortunately, not accepted ; but at the same time, it was thought that the requirements of the situation would be met by providing that the country of origin should be marked in the case of all such articles as might be specifically required to be so marked by a notification in this behalf. The intention was that Government would compile a list of articles to be so marked. Government explained that they preferred this procedure, because of the practical difficulties in marking certain types of goods with the country of origin. Such difficulties, however, could have been met by providing for exemptions wherever necessary ; and the general feeling still is that the Law should

clearly impose an obligation on all imported goods for being marked with the country of origin.

We have also recently drawn the attention of Government to certain classes of goods which are manufactured here, but the owners or proprietors of which are British or foreign companies, on which the names of such owners with their foreign addresses are conspicuously marked, without any counter-indication to show that the goods are manufactured in this country. This practice secures to such articles a preference, in the belief that they are of foreign origin although they are actually manufactured in India. We have furnished Government with instances of such cases and have suggested that early action should be taken so as to provide that on such occasions the goods in question should be clearly marked as ' Made in India '. It may be mentioned that Government have already got, under Section 12A(1) of the Merchandise Marks Act, powers to require an indication of the country of origin on specified goods whenever they deem it necessary, and no time should, therefore, be lost to exercise this power and protect the public from such questionable practices.

Goods on Enemy Ships

You will recollect that when the war broke out, many steamers registered in, and belonging to, enemy countries took shelter in neutral ports. There were on board such steamers valuable cargoes, most of which had already been paid for. The question of reclaiming such cargoes was the subject-matter of protracted negotiations between the commercial community and the Government of India. Ultimately, it was announced that some central arrangements would be made with a view to adopt a uniform procedure in dealing with this matter and with a view to ensure that the enemy did not get any undue advantage in the shape of demands in respect of Port dues, etc. The British Government and the Government of India appointed the London Chamber of Commerce as the Central Agency for purposes of negotiating with the Captains of the ships concerned for settling the terms of release. So far, there has not been any appreciable progress in all these efforts. The test cases conducted in Marmagoa courts for settling certain legal points in regard to the rights and duties of Captains under such circumstances are still hanging fire. In view of this position, the point arises as to the nature and extent of the relief the commercial community can claim in this regard from the Insurance Companies with whom the goods in question were insured. It was recently suggested that Government should examine this aspect of the question and advise commercial interests regarding the chances of recovery of their claims from the Insurers. Unfortunately, Government have taken up the view that the point is one for decision between the policyholders

and the insurance companies in the light of the terms and conditions of their different policies and that they should tackle the same individually. Such an attitude, we must point out, is not very helpful. After all, this is not a normal case for Government to leave the settlement of the claims to the normal channels of negotiations as between the parties concerned. It is an issue of great importance and just as Government in the initial stage decided that negotiations for recovery of cargoes should not be conducted individually, so also the legal aspect regarding claims under the insurance cover should be ended and Government should let the public know where they stand in regard to such claims.

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